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NOVEMBER 1971

Nation's Business



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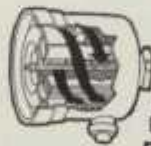
Gauges on L-Line linehaulers show normal at "3 o'clock." One quick glance lets the driver check alignment of all gauge pointers. **Premium-size windshield** is 1,515 sq. in. big

to give driver a great outlook. **Wide-track front axles** with large wheel-cut angles give tight turning diameters, save maneuvering time.

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Nation's Business

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The urge to stake out personal "territory," and defend it against one and all, can do great damage to a company; here are thoughts on how to fight it

Cover photograph by Barry Blackman

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Memo From the Editor

Nation's Business • Published by the Chamber of Commerce of the United States • 1615 H Street N.W., Washington, D. C. 20006

A year from now you will be electing a President of the United States. During the year, you'll be hearing and reading a great deal about the views of the various candidates. How they feel about foreign affairs, how they feel about inflation and recession, how they feel about the rich and the poor.

So far, few of the potential candidates have expressed their views on some major issues in which businessmen are interested. We feel that those views are important and that you would like an early look at them.

So we interviewed six of the hottest Democratic possibilities and a possible third party candidate, asking each the same questions relating to business issues. You'll find their answers starting on page 61.

Choosing the men to interview this year was not easy. There's a story going around Washington these days that the police were called because someone thought a gathering on the Capitol steps might be the beginning of a demonstration. Actually, it was all the potential Democratic candidates for President, merely meeting to have a group picture taken.

We limited our interviews to men who have active political campaign staffs or who are so prominently mentioned that they must concede they could be in the running. Of those publicly discussed as candidates, only Sen. Edward Kennedy declined to be interviewed on the grounds that he positively will not run.

We hope to present the Republican candidate's answers to the same questions before long.

Obviously we are all interested in the potential candidates' views on taxes, inflation and government spending, for example. What they would do if they were President would affect all of us.

But we are also all affected by pervasive government regulation that is sometimes ignored by the politicians as they discuss the "big issues."

For example, it's likely that few, if any, of the potential candidates have given any thought to such agencies as the Equal Employment Opportunity Commission. Yet the day-to-day activities of such outfits have a direct bearing on your business, just as the "big issues" have.

A current example would be an internal memorandum in EEOC that suggests the Commission should stop businesses from moving out of cities into suburbs or smaller towns. The reasoning goes that by moving out of ghetto-type areas, companies are committing a *per se* act of discrimination.

The memo recommends that EEOC take such cases to court and make the businessman prove that his

move is an economic necessity. Whether all this will become official policy, we don't know yet. But it illustrates some of the kinds of things that go on in some federal agencies.

Could it also be an illustration for the future?

A monstrous bureaucracy would inevitably spring into being if some of the health care proposals now before Congress were to become law. What kind of rules that bureaucracy would have, nobody knows.

So far, the health care issue hasn't hit the headlines as much as some other legislation, but you can bet it will be in the spotlight next year. Since businessmen pay a big part of the health care bills in this country, you should be aware of the different plans being pushed. You will find an in-depth discussion of them starting on page 26.

If all this makes you want to get away from it all and perhaps do a little serious thinking on your own, there are some mighty peaceful places that specialize in providing the surroundings you need for thoughtful



The Rocky Mountains frame the Aspen Institute, one of several conference centers in scenic Aspen, Colo.

conferences. You'll find a report on the "boom" in this market, in words and pictures, starting on page 38.

With things like they are in Washington, New York, or wherever you live, it's no wonder that conference centers are booming.

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Jack Woodbridge

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Letters

Why Tie Wages to Productivity?

• In a recent issue [May] you published a letter from James L. Kissel of Rapid City, S. Dak., in which he gave an excellent formula for controlling the money supply—gearing it to the size of the population.

In a talk which I have been delivering to service clubs around eastern Massachusetts, I have approached the money supply problem this way: Units of production (autos, tons of steel, yards of cloth, etc.) times the wholesale price equals the money supply. But I, too, have added the population count as a factor to be considered.

I came to consider this idea of controlling the money supply through my observation of Russian pay scales when I visited Moscow in the fall of 1969.

All Russian labor is classified—taxi drivers, waitresses, hotel maids, Intourist guides, engineers, etc. Each class gets a uniform wage (such as taxi drivers \$100 a month, etc.). How easy for them to multiply the number in each class by the wage and, *ipso facto*, they have a complete handle on the money supply and a perfect control of inflation.

In this country, we have the ridiculous theory, originated by political economists, that increases of productivity should lead to similar increases in wages paid. You can never control

inflation if you base your money supply on the theory that if productivity increases so should your money supply. Obviously, all those workers in service industries eventually must strike to get "even"—policemen, teachers, waitresses, etc.

HAROLD D. GEILICH
Chairman of the Board
Geilich Funding Co.
Taunton, Mass.

Let youth decide

• I was very impressed with the article "Making More Jobs for Young Americans" [September] because it showed concern for the youth of today.

Few people realize how hard it is for a young American to obtain a job at this particular time. Young Americans today aren't expecting to make small fortunes with part-time jobs. Most just want to earn enough money to pay a few expenses and still have a small portion of money on the side.

I sympathize with the small businesses because I realize they have a problem with the minimum wage law. Why doesn't Congress take their problems into consideration and create a separate minimum wage law for them?

Let the youth decide whether they want to make less money with a small business, or work for a large

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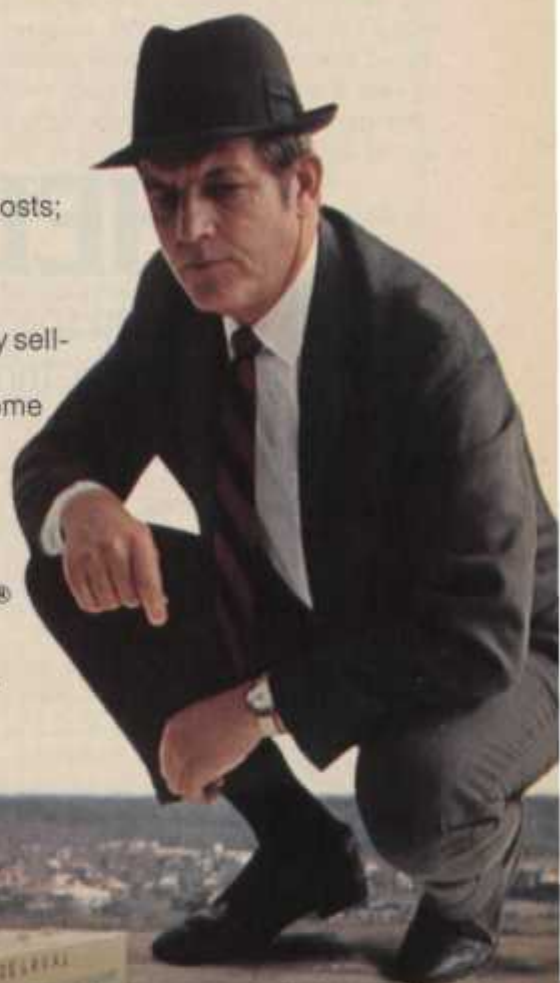
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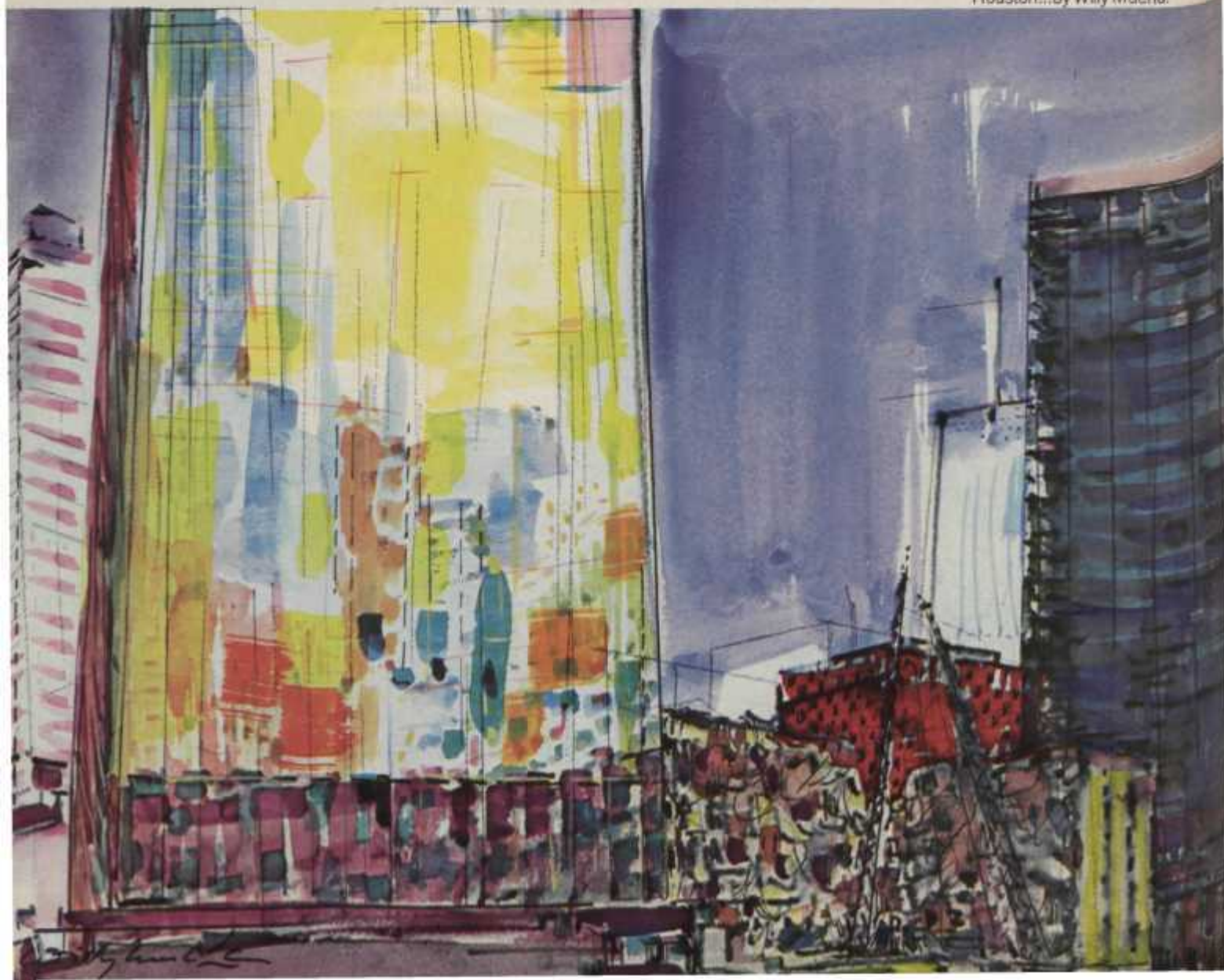
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Houston...by Willy Mucha.



business and make more money. If Congress would consider this, it would open new jobs for young Americans all over the United States.

DONNA P. PUTNAM
Clinton, Miss.

Getting around smut law

• Re Postmaster General Blount's article, "Let's Put the Smut Merchants Out of Business" [September]. Every time I receive an unbelievable packet of unsolicited smut in the mail I give some thought to the unenforceable Post Office law that allows one to send a cease and desist mailing order to publishers.

You can change a corporate name and start mail under a new permit in a matter of hours. Such a procedure can easily evade the present law.

Everyone seems to favor keeping this stuff away from children. But I submit that if you can furnish it in bulk on news counters and through the mail to adults, you cannot keep it away from children.

I hope the President can help cap the Pandora's box of pornography opened by the Supreme Court when he makes his new appointments.

HUGH G. OLIVER
Lawyer and Notary
Westwego, La.

• Your article by Postmaster General Blount is excellent. I'm thankful that someone has at last stepped forward and said he is capable of determining what is indecent literature—something our Supreme Court Justices (the majority of them) have not had the courage or wisdom to do.

R. B. DELANO
Oklahoma City, Okla.

• Thank you—a thousand times over—for Winton Blount's antismut article.

J. GRANT SWANK JR.
Executive Vice President
Manchester Chamber of Commerce
Manchester, Conn.

• Winton M. Blount's article is a classic bureaucratic approach and an appeal for prohibition of a First Amendment right.

I, and others whom I have interviewed, represented and read, resent bureaucratic do-gooders waging massive campaigns against "victimless

crimes" where all transactions and events are between consenting individuals—while at the same time destruction and thievery are rampant in our homes, offices and mails due to lack of law enforcement.

In my opinion, Mr. Blount appealed to the wrong people when he stated that "a \$2 reel of eight mm. color film will sell for \$40 as pornography" when he appealed to the subscribers of NATION'S BUSINESS.

That's exactly what they want to hear in a free enterprise system.

WAYNE V. AGEE
Attorney at Law
Austin, Texas

Disneyland East?

• Your magazine is hardly objectionable, but I think you have been in Washington (Disneyland East) too long.

An attack on pornography may be a good "motherhood and the flag" type of writing, but hardly vital while this nation goes down the drain.

What I feel you fail to do is to identify clearly and without any wea-

seling or equivocation our country's greatest peril today. I refer to the ruthless dictatorship of the big union bosses, most of whom answer to nobody because democracy is a joke in their unions, and to the overpowering federal bureaucracy that is out to destroy all small business.

JAMES D. TILFORD JR.
Tilford Flying Service, Inc.
West Palm Beach, Fla.

Social Security gap

• One of the many things which I found most interesting in your August issue was your editorial regarding the present and ever-increasing cost of Social Security taxes for the average employee and employer.

Don't you think an employee should be entitled to full benefits at retirement age, without the limitation on earned income?

I know this has been a question long debated in Congress with minimal results. Other pensions do not preclude people from obtaining their accredited retirement payments because of other earned income. This is

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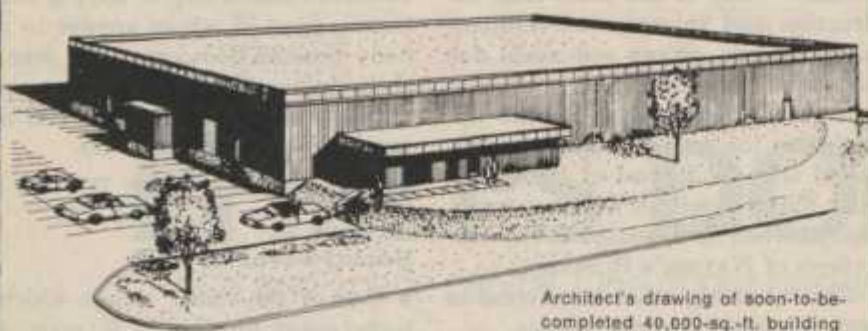
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Letters continued

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JACK I. ROSEN
Certified Public Accountant
Rosen & Rosen
Rockville Centre, N. Y.

Positive posture

• I found "America Must Have the Alaskan Oil" [September] most refreshing. It is encouraging to find a few articles appearing in print that take a positive posture in addressing both America's increasing need for energy supplies and the petroleum industry's acceptance of its environmental responsibilities.

O. C. RATH
Environmental Conservation Manager
Western Division
Humble Oil & Refining Co.
Los Angeles, Calif.

• It was indeed refreshing to read a factual and objective article on the building of the Alaskan pipeline.

J. CARTER PERKINS
Vice President
Shell Oil Co.
Washington, D. C.

Problems of "accountability"

• Re "It's Time for 'Accountability' in Education" [August], I have taken an interest in education at the public school level for many years, and as a school board member for 11 years prior to 1967, and have noted another trend in education which further creates a problem in "accountability" and operation.

This is the teacher in one school system running for and being elected to a board of education in another district where he lives.

In my local district (Lewiston-Porter Central, Niagara County, N. Y.), three teachers are now serving on a seven-man board. One is the president. One more teacher and they will have a majority.

Which calls to mind another article in your August issue—"But They Can't Do That to Us"—about national unions' problems, with their employees becoming unionized. In the schools the union members are taking over the management function. This certainly complicates the problem of accountability for teacher and school performance. In this case the taxpayers should say, "But they can't do that to us."

SHERMAN C. LLOYD JR.
Lewiston, N. Y.

Executive Trends

BY JOHN COSTELLO
Associate Editor

- How to boost sales
- What you can patent

What a market audit can do

When 1971 becomes history, few airlines will weep.

"It's been a clinker," an executive moans.

But the year will bring fond memories to one carrier.

In 1971, it boosted its ratio of first-class seats sold on overseas flights by 30 per cent.

"And we did it in less than six months," a spokesman says.

The secret of this success was a detailed market audit.

"We had to find out the airline's best potential source of first-class customers," says Richard Manville, Richard Manville Research, Inc. To do that, Mr. Manville's New York firm asked several hundred companies questions like these:

- Do your executives travel overseas?
- What are their names?
- How often do they go?
- Do they travel first-class—or tourist?

Who makes that decision?

Some companies, it found, had a potential of 1,000 first-class overseas flights a year. Others—including customers the airline called on—had fewer than 100.

"Forget about the companies with the least potential," the firm advised its client. "And go to work on those which have the best."

Mr. Manville says a good marketing audit "can answer a lot of questions." He cites these examples:

- How can consumers of a popular-priced domestic beer be persuaded to trade up to a costly import?
- Which sales approach will work best for our new building material?
- How should I sell my product overseas?

"Before you can measure anything," says Mr. Manville, "you have to know whom you're trying to reach—and why."

"Many companies don't know who

- Putting wings on freight
- A stockbroker's tip

their customers really are—and which 20 per cent of them generate 80 per cent of their sales."

Do you have a great invention?

If the answer is Yes, you'll want a patent. That gives you exclusive rights to your gadget for 17 years.

The path to a patent can be tricky, however. For example, not every bright idea is patentable—even if you thought of it first.

It has to be a new and useful process, machine, manufacture or composition of matter—or "any new and useful improvement thereof."

Even the language, though it sounds simple, can be tricky.

"New," for example, means the invention hasn't been in use or on sale by the inventor—or anyone else—for more than a year before the patent is filed.

And you can't get a patent on a method of doing business, or an improvement on a device that would be obvious to one "skilled in the art."

Here are some other items that aren't patentable:

1. A mental concept as opposed, for example, to a mechanical device.
2. A method of doing business—such as the assembly line system.
3. Printed matter. (It's covered by copyright law.)
4. A device that won't work—like a perpetual motion machine.

One useful manual on what is—and what isn't—patentable is the "Inventor's Guide 1971" (\$4.95, Inventor's Services Co.)

It squelches the rumor that you can protect your brainchild by merely

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5
CS-222A. Automatic successive multiplication and division. 12 digit capacity with underflow. Constant. Floating entries. Pre-set answers. Memory and light. Zero suppression. 5.5 lbs.



6
CS-242. Zero suppression. Punctuation. Underflow. 3 registers. Floating entries. Pre-set answers. Memory and error light. Function light indicates use of multiplication and division keys. 8½ lbs.



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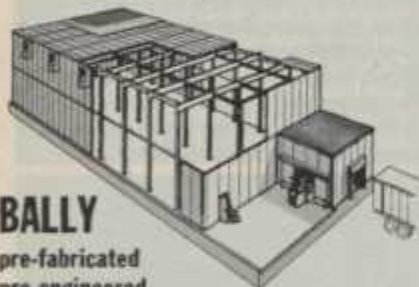


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Executive Trends *continued*

mailing yourself a registered letter describing it. Actually, you have to have some corroboration.

Here's what the book advises:

"Once the idea has jelled, put it in writing and get a trustworthy friend or patent attorney to sign his name as witness on a dated drawing or description of the invention.

"This provides legal evidence of origin."

And best of all, get a good patent attorney, early, to handle your application.

Shipments that should fly

Many an export item should travel by air, says Japan Air Lines, and it's turned to the alphabet for help in getting its point across.

It's compiled a list, which goes like this:

A—Advertising products and display materials.

"They're valueless if delayed," a spokesman says. "Air freight is a natural channel for advertising plates, inserts, mailers, samples, premiums and other items that must meet tight deadlines."

Z—Zoological specimens, and other live animals.

"This product is highly perishable," JAL says, "and its value depends on its condition on arrival."

Other products elsewhere in the alphabet include:

C—Cosmetics, with a high value per pound, and a fickle market.

H—Hair goods, usually made overseas.

S—Sporting goods, highly seasonal, and easier to market if they can be quickly reordered.

In fact, JAL says, air freight is being used more and more for bulky, medium-priced products.

"If you use the Total Cost Approach," it says, "figuring in items like travel time, insurance, handling, inventory and receivables, that makes sense."

"Say you ship a computer by ocean freighter. It costs only \$500, but the voyage takes six weeks.

"Your rental charge is \$5,000 a

month. So you lose \$7,500 worth of income.

"If it cost 10 times as much to ship it air freight, and it won't, you're still almost \$2,500 ahead."

How to tell a real blue chip

Here's one way, according to Burnham and Co., New York stockbrokers.

"Make an accurate forecast of the company's 10-year earnings," it says.

"Then add 'em up and see what they come to per share.

"If the stock is selling for less, it's probably a buy.

"If not, it isn't."

Here's an example of how that system works:

Say a company now earns \$1 a share. Assume that its earnings will grow 10 per cent a year for the next decade. Over that span, they'll add up to \$17.53.

The stock's selling for \$15. So it's attractive.

"Making the forecast can be tough," the brokerage firm admits. "You can work out the dollars with a compound interest table. But the trick is accurately forecasting the rate of growth."

Burnham offers these tips on what to look at:

- The company's track record.
Has it had a consistent growth in earnings in the past?
Or has it ridden the same roller coaster as the economy?
- The company's prospects.
Is it reasonable to expect past gains to continue?
Or will its products soon saturate the market?
- The company's management.
Can it add good people fast enough to support the growth projected?
Or is it a one-man operation that is already spread thin?
- The company's financial structure.
Can it generate needed cash internally? Or will it have to dilute earnings by borrowing or selling stock?
"You must make sure, too," the firm adds, "that the growth's real. Not just earnings manipulation, accounting changes or one-shot windfalls, like a lucky acquisition."

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Now you can buy Oasis coolers the same way. From your Oasis distributor, listed under "Water Coolers" in the Yellow Pages.

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1. Any part of the hermetically sealed refrigeration system.
2. Cooling tank and coil assembly.
3. Pre-cooler assembly.
4. Any water leaks in the insulated upper half of the cabinet. A complete water cooler should NOT be returned to the factory for the reason of a water leak at one of the four drain line fittings. Any of the off-the-line drain ports that have passed inspection and are found to be defective should be replaced at the factory.

ately to the factory. Examples of these parts are as follows:

Cold control, fan motor assembly, starting relay, overload, hot or cold tap, water regulating valve, bubbler valve body assembly and any other removable parts. A bubbler valve body assembly may NOT be returned to the factory for replacement under this warranty due to stoppage, lined up condition, or leaking due to improper adjustment. This warranty does NOT provide for any field labor to remove or install parts. This warranty does NOT apply to any part which has been subjected to accident, alteration, abuse or misuse, nor does it provide for service calls to make adjustments, remove water stoppages, defrost hot or cold models or other attention required by the water cooler. Water is frozen stopped.

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SBA Report

A Venture Capital Vehicle Is Picking up Momentum

In an action which drew scant attention from the public, the Small Business Administration last month issued its 39th Minority Enterprise Small Business Investment Company license to a firm in California.

The MESBIC licensing was significant, however, in that the firm, Southern California Minority Capital Corp. of Los Angeles, is the first to raise its initial capital through a public stock offering.

It is registered with the Securities and Exchange Commission under the Investment Company Act of 1940 as a closed end investment company.

The action is an indication of growing interest in pumping equity capital into minority businesses. (President Nixon gave another indication of that interest recently when he asked Congress to approve a thumping budgetary increase for the Office of Minority Enterprise, and to make it easier for MESBICs to grant loans.)

Additionally, it points up the fact that the Small Business Investment Company program, out of which the MESBIC concept was developed, is emerging as one of SBA's most potent tools in helping small business.

Authorized by Congress through the Small Business Investment Act of 1958 as a vehicle to provide venture capital to small concerns, the SBIC program has had its share of problems.

But in the past two or three years, it has developed to the point to where the SBICs have become an institutional source of venture capital for small business. Also, they are beginning to take their place with banks and other institutions as major sources of loans for small business concerns.

The more than 300 companies which today comprise the SBIC industry have increased their size, added to their capital and expanded their portfolios in the last two years.

A recent analysis of the SBIC industry by SBA revealed:

- SBICs increased their portfolios

by 8 per cent between 1968 and 1970.

- They increased their gross loans and investments in small firms by 18.1 per cent, or \$65.8 million, over the two-year period.

- Of SBICs' investments, 27.4 per cent went into manufacturing, 19 per cent into services and 18.2 per cent into retail establishments.

- Disbursements to small firms during the two years increased by 24 per cent or \$32 million.

- The uses which small firms made of the SBIC financing varied from modernization (6.6 per cent of the funds) to new product or process development (8.6 per cent) to increased business capacity (33.8 per cent).

To date, SBICs have made more than 40,000 financings for a total of \$1.9 billion.

Perhaps the most significant item in the SBA analysis was the fact that nearly 90 per cent of the small firms said they would, under similar circumstances, seek SBIC help again.

The Small Business Administration, in an effort to increase the SBICs' effectiveness, has been developing additional avenues of funding.

The leverage available to SBICs through government or government-guaranteed loans is crucial to them. An SBIC may be eligible for such a loan equal to twice its paid-in capital and paid-in surplus. A qualified SBIC may borrow up to \$7.5 million and in some cases up to \$10 million.

Last May 13, SBA sold \$30 million of SBIC debentures to an underwriting group under a guarantee authorized for sale of agency assets by Section 5 (b) (2) of the Small Business Act.

The agency believes the establishment of a secondary market for the SBA-guaranteed SBIC debentures is a significant development. It indicates SBIC obligations are welcome in the money markets and helps assure SBICs of financing when funds are not available from SBA.

Jimmie Sikes looks at things from every angle



Sikes Carpets touched down perfectly in Kentucky, according to Jimmie, "It's the heart of the Eastern market; the labor is abundant and the attitude is great, and our Lawrenceburg plant is convenient to the intercontinental freight arteries."

James W. Sikes
Chief Executive Officer
Florida Tile Industries, Inc.

In the cockpit of his Stearmen or his Pitts Special, stunt flyer Jimmie Sikes snap-rolls like any other aerial acrobat; but his aerobatics have special meaning to Jimmie, for when it comes to banking he's way above the crowd.

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Louie B. Nunn
Governor

How visual can make your more

Management's thinking on safety programs is changing. Safety is now being thought of not only in terms of accident prevention, but also in the larger areas of loss control and loss prevention. And not just with personnel, but also with productivity.

And just as the safety program's role is expanding, so are its uses for visual communication. In addition to helping prevent injury to employees, visual communication is now helping to prevent damage to machinery and products. By giving instructions quickly and clearly. And by making all necessary information available right at the point of operation.

Visual communication in accident prevention.

Safety engineers have always realized that safety instructions and reminders are more effective when presented to personnel visually rather than orally.

But lately visual communication has been employed even more. Programs now include general warning signs combined with specific caution signs at the point of operation.

□ For example, a large departmental sign saying "Safety Goggles Required" can be supplemented with individual caution signs directly at the point of operation.



Visual communication in loss control.

As your safety program becomes more involved in the larger concept of loss prevention, visual communication can become an even greater help in instructing and informing employees:

□ Signs and labels are extremely effective in giving clear and simple operating instructions that not only help protect personnel, but also machinery and equipment.



□ Visual communication can be effectively used to give vital information exactly when and where it is needed.



□ Many safety engineers use their own visual communication system to supplement or reinforce manufacturers' instructions printed on equipment.



Requirements for your safety program's visual communication system.

With safety programs' increasing need for visual communication, certain requirements are becoming more important. First, signs and labels must be able to be easily made and immediately posted, so hazards do not go unlabeled for long periods of time. Second, as equipment becomes increasingly more complex, signs must be able to pinpoint more specific and detailed information. Third, the visual impact of color should be available. Fourth, it should be practical to replace signs quickly and inexpensively (either to keep up with changing conditions, or simply to keep them from becoming "part of the landscape"). Finally, signs must be permanently legible, so that long or hard wear does not cause them to become unreadable.

communication safety program effective.

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Going Going...

Washington: Laboratory on the Potomac

Washington, headquarters of the nation's government, tourist attraction and big city, has taken on an additional role: a gigantic laboratory for students.

More than 6,000 college students come to the capital each year to serve as "interns" in government agencies, Congress, and groups concerned with the governing process.

Most tackle clerical jobs, some do research, and some, other work. All—if they keep their eyes and ears open—learn much about what makes the government tick. Those who arrive thinking government is all glamor and no tedium quickly find out otherwise.

Generally, interns work in Washington in the summer, but more than a thousand earn academic credit by working during the school year, usually for three-month periods. They are participating in the Washington Semester, a program involving some 125 colleges and universities that includes on-campus study at American University.

Many interns take part in programs sponsored by organizations that vary from the American Political Science Association to business firms such as Sears Roebuck. Sears backs a program for journalism students who work as junior press aides to Congressmen.

The Civil Service Commission conducts competitive examinations for hundreds of intern positions, and Congress has its own intern program, with Senators and Representatives making individual appointments.

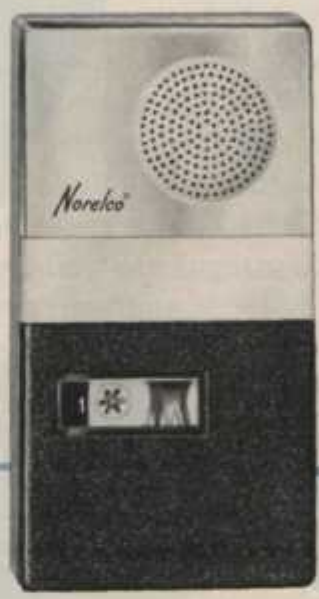
While many interns are paid for summer jobs—generally around \$125 a week—hundreds simply volunteer their services.

The intern idea was nourished by President Kennedy, who wanted young people to learn at first-hand how government works. Colleges have found it a tremendous way for students to acquire practical knowledge to go with textbook theory. **END**

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minutes. It is a speech which I
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You wouldn't risk buying overseas insurance coverage either here or there, if you knew about the third choice.

American businesses with foreign subsidiaries are constantly confronted by the question: Are we better off buying our foreign coverage here or abroad? They continue to hear talk about devaluation, nationalization, blocked funds, comparative costs, uniformity of coverage, etc., etc., etc.

Actually, there isn't much to debate. A re-

examination of the essential facts makes the answer pretty clear.

Laws and taxation make buying here seem risky.

The insurance laws of foreign countries can present a formidable stumbling block. Many prohibit non-admitted insurance, though the

degree to which the law is enforced may vary widely. But the law is the law, and breaking it is hardly a desirable choice.

The tax situation may present a problem too. If you buy coverage here for your foreign installation, most foreign countries won't allow the premiums as a deductible expense.

And just to complicate matters, if you collect for a loss under a non-admitted policy and send the money over there, your foreign subsidiary might have to classify that money as income under local tax laws.

At first glance, then, the answer seems simple. You don't want to violate foreign laws. And you're not anxious to complicate your tax status. So you'll just have to buy insurance in that foreign country, and let it go at that. Right?

Buying there leaves problems of coverage, comprehension and control.

Unfortunately, you still want what you want, the way that you want it.

You want coverage as complete and all-inclusive as you can get here at home. But you just can't always get it abroad. You find, for instance, that no riot insurance is available on an admitted basis in Germany. Or that spontaneous combustion is not covered under South American basic fire policies.

And you worry a lot. You worry about the coverage you might not have, and might not know about, because you can't interpret the policy language. You're not really sure what "extended coverage" means in Portuguese.

You want control. You want to know, not guess, about what's going on over there. You want your own home office's administrative policies to apply. Everywhere. And you're not getting it.

As if having 50 sets of state laws weren't enough, now you have to be an expert in the languages and legal loopholes of foreign countries as well.

So just deciding to buy your foreign coverage overseas, though it seems so necessary, simply isn't good enough.

**The answer to the dilemma:
the right American carrier,
with the right international setup.**

It's the way to have your cake and eat it.

Here's what the right company can do for you.

They can have their foreign affiliates provide local coverage wherever required. And bill it to your foreign subsidiaries. Which will cover both the legal and the tax problems.

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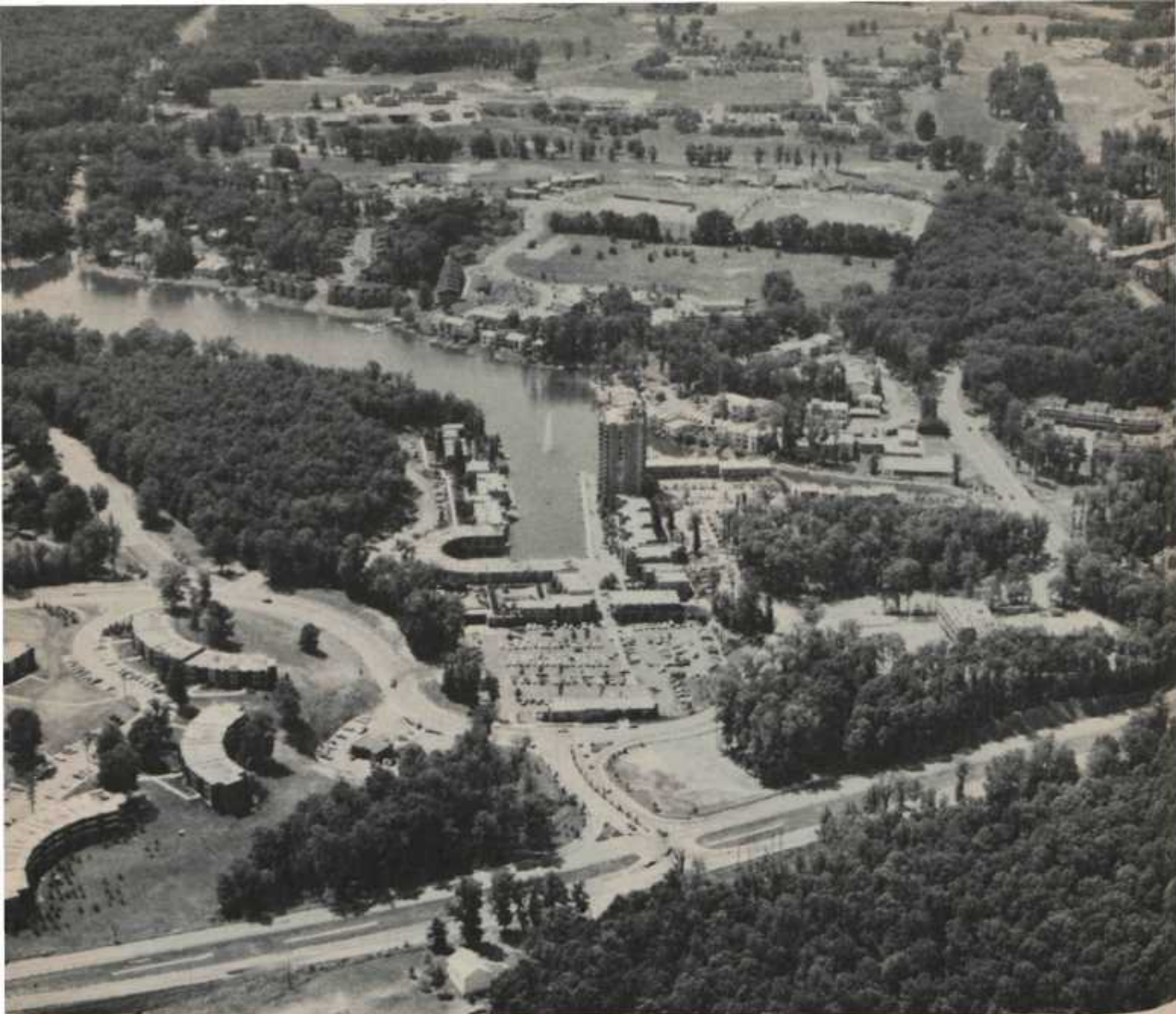
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Unusual Typecasting for Radio Newscasters

When Jeff Fisher, who conducts a business news show on Cleveland's radio station WERE, went on vacation this summer he got some high-priced talent to fill in for him.

Chief executives of 11 major companies based in Cleveland took over Mr. Fisher's "Executive Report" program during his absence—one businessman per evening. They represent firms which did \$4.8 billion in business last year.

"They were very professional and we received excellent reaction from our listeners," Mr. Fisher recalls. "We heard from numerous stockholders in companies represented by their chief executives. These people receive annual reports, they see pictures of company executives, but few ever attend stockholders' meetings. This gave them an opportunity to hear these officials first-hand."

Executives conducting the show



Jeff Fisher (left) coaches Republic Steel's Willis Boyer on broadcasting.

included Willis B. Boyer, president and chief executive officer of Republic Steel Corp., Otes Bennett Jr., president and chief executive officer of North American Coal Corp., E.

Mandel De Windt, board chairman and chief executive officer of Eaton Corp., and Harry Bolwell, president of Midland-Ross Corp.

Only one fill-in commentator mentioned his company when he was conducting the program—the firm happened to be involved in a major Cleveland business story that day.

Another executive had a story to report about a major competitor, but he had no opportunity to mention his own firm.

When Joseph Bruening, president and chief executive officer of Bearings, Inc., closed his show he ad-libbed by reporting the opening and closing prices of Bearings on the stock market that day, and commenting: "And that happens to be my favorite stock."

Jeff Fisher now has a backlog of talent available for his next vacation. A number of other Cleveland chief executives heard and liked the program conducted by the 11 businessmen and now they want a chance to be on the show themselves.

How a Library Project Got off the Shelf

At the Stran-Steel Corp. plant and general offices in Houston, Texas, practically everybody wears a button which proclaims, "Do Something Constructive."

It has nothing to do with the company's product—metal building systems.

The idea behind the slogan is to develop social consciousness on the part of the employees. Such as getting themselves involved in community improvement.

In announcing the "Do Something Constructive" program several months ago, Stran-Steel President John Reigle said:

"To my mind, the old standards for measuring a company's worth

no longer apply. They've died of atrophy in a changing world."

The program is a cooperative venture between Stran, a subsidiary of National Steel Corp., and Stran employees, Stran franchised builders and concerned citizens.

An evaluation committee, composed only of employees, had no problem finding worthwhile projects that needed doing. The committee asked Houston Mayor Louis Welch to determine the most immediate building need in the city. There were many, but the decision was to focus on a dilapidated former grocery store that was being used for a library in the Trinity Gardens section.

The city had bought the land several years ago but never found the money to build a new library. Stran kicked in the first donation: a \$40,000 structure. Soon other

Houston business firms became interested, and in came offers to contribute wiring, heating, plumbing, shelving and other requirements to complete the building.

With the library under way, Stran employees cast out for other projects. They found a Houston suburb badly in need of a fire hall for the volunteer fire department. The hall is now being built; some of the material was offered by Stran at discount price.

"The most exciting aspect of Do Something Constructive is that it's truly a cooperative venture among people who care," says President Reigle. "In just a few short months, we've seen that when you combine the action an individual undertakes on his own with the backing of corporate assets, the results can multiply themselves many times over."

continued on next page

Assembly Line Message Comes in Loud and Clear

Assembly lines, American style, are almost always the same: Men and women adding a single component with seldom a change in the routine. They rarely assemble an entire item.

Motorola Inc. has changed that at its communications division plant in Plantation, Fla. There, each individual new PAGEBOY II FM radio paging receiver is completely assembled, tested and packaged for shipment by one assembly technician.

"The result is a turned-on group of individuals who enjoy their work and have a great deal of pride in their product," according to Marty Cooper, vice president of operations for Motorola's communications division.

"The key is involvement. If we're to achieve the quality and performance that our sophisticated customers demand, we must attract and keep bright, interested people. And it's very difficult to be interested when you're inserting three or four parts into one printed circuit board after another."

Traditionally, electronics manufacturing is broken down into small elements of work. Each lineworker is restricted to highly repetitive tasks,



Technicians at Motorola get a new sense of being involved by assembling all the components of Pageboy II communicators.

making identity with the end product difficult, if not impossible.

By contrast, the men and women who make the tiny PAGEBOY II are not only totally responsible for their work, they even include a signed note to the customer which says, "I built this receiver in its entirety and I'm proud of it. I hope it serves you well—please tell me if it doesn't."

Motorola is trying to determine whether the one-worker approach can be used on other products. Mr. Cooper says it undoubtedly will be a significant factor in some future design considerations.

Fully aware of the productivity achievements of the standard pro-

duction line, Motorola nevertheless notes that in PAGEBOY II work, the one-employee technique has improved quality, increased productivity and resulted in a significant reduction in employee turnover and absenteeism.

One reason, the company says, is that the PAGEBOY—whose function is to keep its carrier in touch with office, answering service or home—has only 80 components as against its predecessor's 210.

Mr. Cooper sums up: "Our customers get a better product and our people are happier and more productive. Everybody wins—it's got to be right."

Putting Technology in a Different Light

Against the background noise of a rocket blasting off, a radio voice says harshly, "You tell me what good it does to put men on the moon! Hell . . . we can't even make a living here on earth!"

And then another voice:

"That's quite a blast. It's easy to knock governments and industries and scientists who are reaching for the stars. But what about the satellite that will bring low-cost communications to the teeming, uneducated millions in India? Or the aerospace technology that will make automobiles safer. Or the space-age tech-

niques that . . . [produce] spare parts for pain-racked bodies?"

"Instead of blasting our imperfect society, how about thinking of making it better?"

"Instead of moaning about this lousy world, how about doing something about it?"

This is part of a youth-oriented radio announcement sponsored by Fairchild Industries of Germantown, Md. It is one of several aimed at challenging young people to think about using technology developed by American business to solve pollution, communications, medical, safety and other problems.

"Our program is designed basically to help reverse the antitechnology feeling that many young people have

today," says S. C. Paton, Fairchild's corporate director of public relations. "Young people often talk about the problems facing this country. What they sometimes don't realize is that without technology, none of these problems will be solved."

The Fairchild youth-oriented radio announcements are being test-marketed in Montgomery County, Md., and Winston-Salem, N. C. The company has also produced a color film with the same theme and it is being made available to all high schools in the two areas.

"We are excited about this program because we are attempting to communicate directly with young people, who are our nation's leaders of tomorrow," explains Mr. Paton.

Sound Off to the Editor

Keep Compulsory Union Dues Out of Politics?

Would you make a campaign contribution to a candidate you intended to vote against? Not likely.

But that's just what countless members of labor unions have to do.

With Congress now considering a bill to set new rules on campaign financing, a key question being raised once again is whether forced political contributions from union members should be prohibited.

No one is seriously suggesting that workers should be forbidden to make voluntary contributions to political candidates or organizations of their choice, including the campaign chests of organized labor.

The controversy centers on whether unions should be allowed to divert to political campaigns the dues and assessments members must pay in order to keep their jobs. (Because of union

shop or agency shop agreements, paying dues or fees to labor organizations is a condition of employment for nearly 16 million U. S. workers.)

Federal law now prohibits "labor organizations" from making any "contribution or expenditure in connection with any federal election."

But critics argue there's nothing to stop a union from using an intermediary organization as a conduit for moving funds to candidates. (Unions say such funds come from members' "voluntary" donations. Critics say this is a subterfuge.)

And federal law puts no restrictions on direct union contributions, often coming from compulsory dues, to state and local election candidates.

So advocates of legislative action say that there should be a prohibition against such state and local contribu-

tions, and that the federal election contribution ban should be tightened.

Sen. Robert P. Griffin (R.-Mich.), long a Congressional leader in the area of labor law reform, says political use of a worker's compulsory union dues amounts to "interfering with his full rights as a citizen. . . . The worker may be going out and voting against a candidate, and his dues are being used against his point of view."

Union leaders, and members of Congress on the other side, argue that efforts to restrict political use of union funds are really aimed at weakening the organized labor movement and not at improving campaign financing practices.

What do you think? Should Congress bar political uses of compulsory union dues at all levels of government?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should compulsory union dues be kept out of politics?

☐ Yes ☐ No

Comments:.....

.....
.....
.....
.....
.....

Name and title.....

Company.....

Sound Off Response

Not Strictly Business

Since business depends on people, it has to play a leading role in dealing with the American people's social problems.

That's the consensus of readers replying to last month's "Sound Off to the Editor" question: "Should business do more social problem-solving?" Affirmative answers run about three to one.

Many readers argue that business must assume a larger social responsibility or be prepared to let the government take over even more activities than it has. On the other side, readers contend that business already is doing its share and shouldn't be called on to shoulder even more costly burdens.

"Since business cannot operate in a vacuum and it is affected by its economic and political environment, it is in its own best, long-range interest that business actively concern itself with social problem-solving," writes C. R. Matheson, personnel and training manager of Crum & Forster Insurance Companies, Durham, N. C.

"Ultimately, through the reduction of labor problems, profits will be increased. Failure to accept this responsibility could bring about the eventual collapse of our capitalistic system."

A similar comment comes from Clyde M. Teegarden, assistant plant manager of Maynard Metals Co., Inc., Schererville, Ind. He says:

"Even though business is the hub of this country it cannot survive without the spokes—the people. Business depends on people and if people have problems—no matter whether they are personal or social—business must be concerned. For business to survive in this day and age, we must do the utmost to help solve the problems that are slowly strangling our country."

But Gordon R. Chambers of Chambers Belt Co., Phoenix, Ariz., takes a contrary view:

"Business has been and is the foun-

dation of most civic, cultural, medical and educational drives and fund-raising programs in this country. Fifty per cent of amounts raised in various drives originate from advance gifts from businesses.

"Social problem-solving must start with the individual and the family group. Too little credit is given to businesses for their contributions and efforts in the field of social work."

Douglas Reutzel, controller for the American Sign & Indicator Corp., Spokane, Wash., says: "I believe business does have social obligations if for no other reason than to eliminate government intervention. We can best help solve problems on a local basis with local people. The involvement by business on a community and state basis will help ease or eliminate problems with more efficiency and more empathy than a dispassionate governmental agency can ever provide."

Gerry Graef, president of Graef & Graef, Chicago, Ill., agrees.

"Profits and social problems cannot be isolated," he says. "Both are part of the total picture. Better living conditions can make better workers and therefore give business more productivity and more profits. Businesses absolutely should be involved in helping to better communities in which they are located. And they should do a greater job in telling the communities how they're involved."

Business should "delegate or encourage its employees and officials to become involved in social problem-solving, but as individuals, not as business per se," according to Dr. Arnold J. Hirsch, president of Prolac Inc., Princeton, N. J. "Business can fulfill its social responsibilities best by more efficient production and working conditions as well as product or service improvements plus good employer-employee relations."

But E. A. Jarvis, division traffic superintendent of Southwestern Bell

Telephone Co., Wichita, Kans., puts it this way:

"Business exists only because there is society. Business is a tool of society. Business contributes to social complexity. Business is society. How then can business fail to involve itself in social problems? There ain't no way."

K. A. Anderson, president of The "K" Way Equipment Co., Inc., Palestine, Texas, comments:

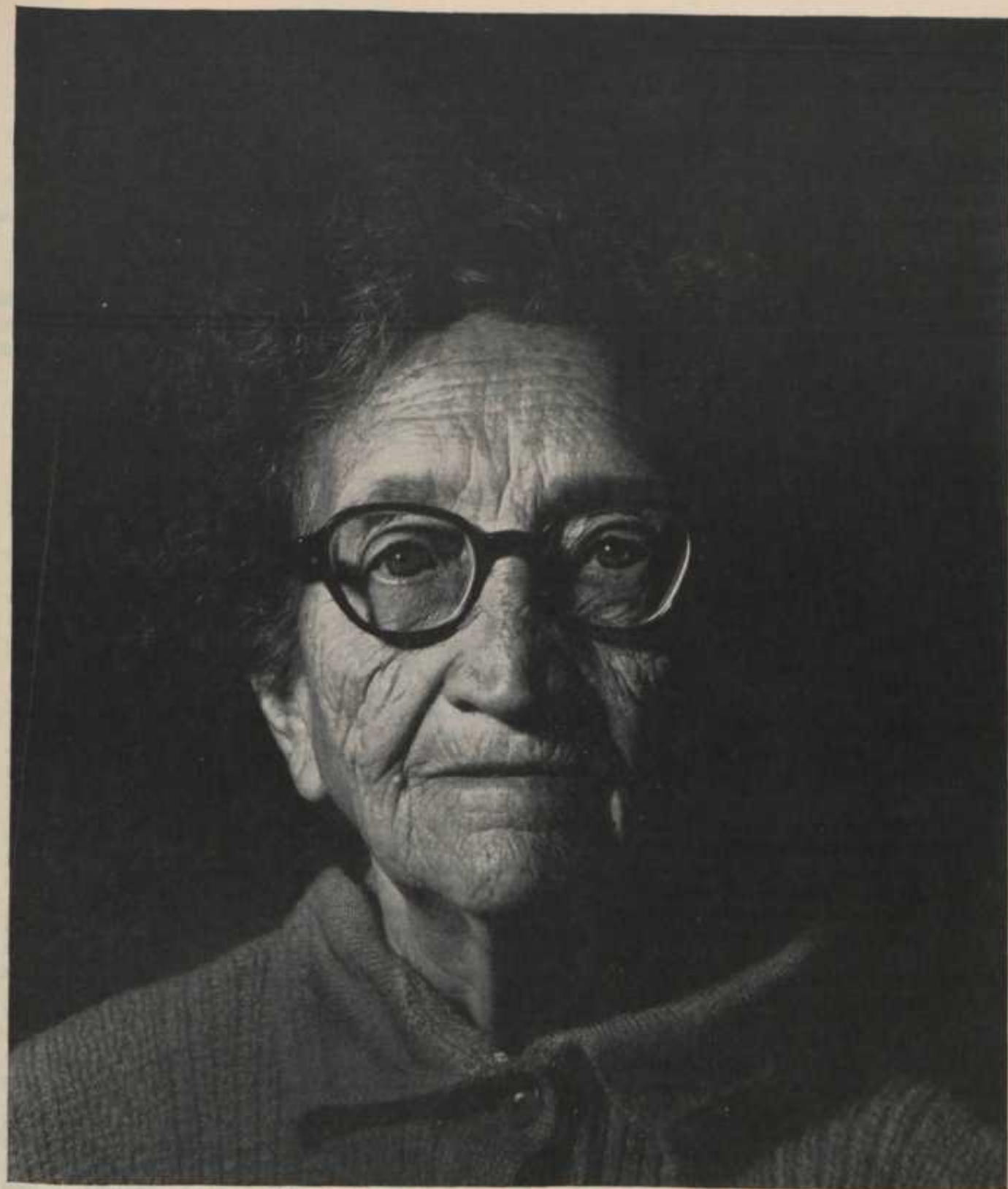
"You have to show a profit before being able to solve social problems. So profit comes first always, regardless of how much or how little profit. But every individual and every company can make some contribution to the social welfare of their respective communities. By all means, they should consider it not only an obligation but a privilege to help bring about improvements."

However, Henry C. Harding of H. E. Harding & Son, Washington, N. C., doesn't agree. Business activity in the social field, he says, "is part of what is wrong with our country today. The government is doing too much of this already and business becoming involved only creates more problems."

Gary R. Rasmusson of Northwestern National Bank of Minneapolis, in Minneapolis, Minn., also cites government activity—but for a different reason. He says "business must take the initiative to solve social problems because of the ineptness of government . . . [and] political maneuvering."

"It's not a question of which comes first, profit or problem-solving," Lawrence R. Tavar of Kane-Miller Corp., New York City, believes. "In the Seventies companies that don't assume a problem-solving role will find their profits adversely affected."

"Without a positive stance in terms of corporate citizenship, it will be increasingly difficult for any company to attract younger managers, line personnel, and even the dollars of consumers."



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The Coming Battle Over Health Care



A batch of proposals which will raise the cost of doing business are before Congress; in one case, the extra tab for employers would total nearly \$30 billion a year

What should the federal government do to improve health care in the United States? And who will pay for the improvements?

A long, heated debate over these questions is expected to unfold in Congress in 1972. It could well shape up as the most torrid Capitol Hill issue of the election year.

Business has a major stake in the outcome for three key reasons:

- Employers are collectively the largest single purchaser of health insurance in the country.
- Some of the health care proposals that have been made would require sharply increased payroll taxes or possibly other new forms of expense.
- Most proposals would, in varying degrees, impose more accounting and administrative chores on business.

There is agreement across the political spectrum that quality health care should be available at reasonable cost to all who want it.

Republicans and Democrats, liberals and conservatives, business and labor, the young and the old, all support that goal.

But sharp disagreement has erupted over the best way to achieve it. Suggestions range from a limited plan that would reach about 1 per cent of all families to a virtual government take-over of the medical field.

While most members of Congress have expressed support for some type of health care legislation, no single proposal among those now pending appears to have sufficient backing for passage.

Any final plan probably will be a

compromise incorporating features of several bills.

House hearings on health care bills are under way. After they end, late this year or early in 1972, the Ways and Means Committee will hold prolonged private sessions to work up its version of the legislation.

The way the Committee traditionally works, the measure then would go to the House floor for a vote under a procedure barring attempts to amend it.

The main battleground is likely to be in the Senate, home base of Democratic Presidential hopefuls who are almost certain to call for a broad liberalization of whatever plan is cleared by the House.

Senate hearings and floor action will take the dispute well into the summer, possibly right up to the time of the national conventions, thereby intensifying the political aspects of the issue.

The temptation to outpromise each other on benefits will be strong in both parties.

Health care on a national basis can be discussed only in astronomical terms. The total cost of medical care in this country was \$26 billion in 1960 and nearly \$70 billion a decade later. By 1974, the total is expected to reach \$105 billion, even without any new federal programs.

One plan, backed by organized labor, would add nearly \$30 billion to employer costs, and \$59 billion to the federal budget.

That plan has no provision for cost-sharing by patients, a feature of all



ILLUSTRATION: JOHN HEALY

the other major recommendations, or any limits on the duration and cost of most services provided.

The major proposals before Congress are outlined here as a basis for comparison and future reference:

The President's plan

Mr. Nixon has asked Congress to approve The National Health Insurance Partnership Act of 1971. It would cover nearly all citizens under 65 through two broad categories:

1. *The National Health Insurance Standards Act*—Employers would be required to make health insurance protection available to employees and their dependents.

To be eligible, a worker would have to put in a minimum of 25 hours a week for 10 weeks or 350 hours in 13 consecutive weeks. Health insurance would be purchased through private companies but benefits would have to meet federal standards.

Insurance carriers would have to develop special group policies for self-employed individuals and for smaller employers—those with fewer than 100 employees (to be eligible, an employee would have to work at least 90 days during a 180-day period).

An employer would have to offer to continue coverage for 90 days for an employee who left his job, if he had been on it for 13 weeks or more.

The plan would take effect July 1, 1973. Until Jan. 1, 1976, employers would pay 65 per cent of the premium costs and employees 35 per cent. On that date, the employer share would go to 75 per cent.

Estimated costs are \$390 per year per married employee, with the employer's share \$292 at the 75 per cent rate.

This would be in addition to Social Security payroll taxes for retirement and disability, and benefits for Medicare, which would continue for those over 65.

The House version of the Administration bill provides for a subsidy to help smaller employers. They would be reimbursed for partial costs up to 10 employees. All employers would be allowed to deduct for tax purposes the full costs of premiums, but not the subsidized premiums.

Various deductibles would be paid by the employee when the health care plan was used—the first two days of hospital care, and \$100 per person or \$300 per family toward other benefits, for example.

2. *The Family Health Insurance Plan*—this part of the Nixon plan would apply to low-income families with children that are not eligible for an employer-sponsored plan.

Administered by the Department of Health, Education and Welfare, the program would be financed by general federal revenues plus some contributions from participants. Their payments would depend on income and family size and range from nothing to a maximum of \$100 a year. Benefits would not be as broad as those under the employer-employee program.

A key element of the President's plan, as well as of several other major proposals, is an emphasis on use of

"health maintenance organizations" in which a group of physicians offer continuing services, including preventive medicine, on an annual, fixed-fee basis.

Participants in either the employer-sponsored or low-income categories could elect to join a health maintenance organization. The employer or government would pay premiums on the same basis as they would under contracts with a private insurance company.

An employer whose health care plan did not measure up to federal standards could be brought to court and, if convicted, fined \$1,000 for each employee eligible for coverage. An employee could bring suit against his employer on grounds of alleged failure to provide an adequate plan.

Health insurance premium costs now paid by employers and employees total \$13 billion a year and would go to \$20 billion by 1974 under the Nixon plan, with business required to finance most of the increase.

The Health Security Act

Sen. Edward M. Kennedy (D.-Mass.) and Rep. Martha Griffiths (D.-Mich.) have introduced a sweeping, nationalized health plan with the backing of the AFL-CIO, the United Auto Workers and other labor organizations.

The cradle-to-grave proposal—this is the one that would add nearly \$30 billion a year to employer costs and \$59 billion to the federal budget—would cover all residents of the country, with most financing coming from

The Coming Battle Over Health Care *continued*

employer-paid payroll taxes and general revenues.

Benefits under The Health Security Act would apply to a broad range of health services without deductibles or other cost-sharing. The plan would supersede both Medicare for the aged and most of the Medicaid program for low-income families. There would be no participation by private insurance firms.

Employers would pay a 3.5 per cent tax on total payroll, while employees would pay only 1 per cent up to \$15,000 of earnings. The self-employed would pay 2.5 per cent.

All payroll taxes would go into a Health Security Trust Fund and a matching amount would be paid from general revenues. Hospital, physicians' and other bills would be paid from the trust fund.

The plan would be administered by the Department of Health, Education and Welfare through a proposed Health Security Board, 10 regional offices and 100 local health service areas. There would be national, regional and local advisory councils on general policy, regulations and allocation of funds.

Medicredit

The American Medical Association has endorsed a "Medicredit" plan under which tax credits would be given to offset completely or partially the cost of private health insurance.

The tax credit would be deducted dollar for dollar from the amount of income tax owed. Under the present system, the cost of health insurance is part of the limited deduction for medical expenses, resulting in a much smaller saving.

For basic benefits, the credit would be geared to income tax a family owed.

Families with a tax bill of \$891 or more would be allowed a credit of 10 per cent of health insurance premiums.

The credit percentage would increase as the amount of tax owed decreased. At a \$100 tax liability, the credit would equal 90 per cent of the premium costs.

Low-income families without tax liability would be issued government vouchers to buy health insurance.

A key factor: In computing the

amount of premiums to which he could apply a percentage credit, the taxpayer could include 80 per cent of his employer's contribution to a qualified health insurance plan on behalf of the employee.

And the employer could continue to deduct 100 per cent of his health insurance payments, provided the plan met federal standards. Otherwise, the deduction would be cut to 50 per cent.

A qualified plan would include provisions for deductibles.

In addition to the credit for a basic plan, a taxpayer would be allowed a credit of 100 per cent of the cost of insurance for catastrophic medical expenses.

The coverage provided by that insurance would pay all expenses except for a deductible based on taxable family income—10 per cent of the first \$4,000, 15 per cent of the next \$3,000 and 20 per cent of the remainder.

The AMA estimates total cost of the program, through revenues lost to the tax credit and direct outlays for insurance for low-income families, at \$14.5 billion.

National Healthcare Act

The Health Insurance Association of America, whose members write 80 per cent of the health insurance in the country, is advocating The National Healthcare Act to make health insurance available to almost the entire population.

Three categories would be established to cover:

- Full- or part-time employees and their dependents, with costs shared by employer and worker.
- Individual policyholders not in an employer-employee plan.
- People on welfare or in lower-income brackets, plus those not normally insurable because of health.

All three categories would be administered by private insurance carriers, but in the third category it would be groups of carriers operating on a state-by-state basis.

Financing in the third category would come from premiums, and state and federal revenues.

Premiums would depend on the amount of income; those in the lowest income brackets would be covered by

insurance policies paid fully by government.

Benefits would have to meet federally set standards, and there would be cost sharing by patients. The plan, providing a broad range of health services, would be phased in gradually over three years to avoid putting too much strain on the medical system all at once.

An employer would be eligible for a 100 per cent tax deduction on the cost of a qualified plan, but only 50 per cent if the plan did not meet federal standards.

An individual could take a 100 per cent deduction on health insurance premiums.

The Health Insurance Association estimates first-year costs at \$3.4 billion. Cost to employers is estimated at \$400 per worker initially, rising to \$1,100 when the plan is fully effective in 1979.

Catastrophe insurance

Sen. Russell Long (D-La.), chairman of the Senate Finance Committee, is sponsoring a bill under which catastrophic medical expenses would be paid through the Social Security system and financed by payroll taxes.

Persons under 65 now under Social Security, and their dependents, would be covered. There is no provision for private insurance participation.

The payroll tax rate for employer, employee and the self-employed would be 0.3 per cent initially, rising to 4 per cent, on the first \$9,000 of earnings.

Hospital and nursing home expenses would be covered after 60 days of hospital care paid by the patient. After 60 days, a patient would pay \$15 a day toward a hospital room, or \$7.50 toward nursing home care.

Physicians' bills and other medical expenses would be covered after the first \$2,000 of expenditures in one year by a family. The plan would pay 80 per cent and the patient 20 per cent of expenses beyond that amount.

Sen. Long has estimated that about one million of the 49 million families in the country would qualify for benefits in a given year. The program would be in addition to the present structure of private health insurance and Medicaid for low-income families.

END



Executive Pay— The Long Term Is Where the Action Is

Salaries rose in '71, bonuses fell, and there was a slew of new techniques for compensation based on business results over a period of years

More new wrinkles in executive pay have been introduced in the past 12 months than at any time in the past 20 years.

Why?

Companies are striving to keep pay plans flexible and competitive in the face of swiftly changing circumstances and situations.

The big action in executive compensation this year centered around "capital income" programs—estate-building compensation paid over a long term, based on business results.

Because of the recent bear market, the 1969 Tax Reform Act and a lack of money to exercise stock options, companies frantically sought new ways to put together long-term income programs for deserving executives.

ROBERT E. SIBSON, author of this article, is president, Sibson & Co., management compensation consultants. This excerpt from Sibson & Co.'s *Seventh Annual Study of Management Compensation* is published exclusively in *Nation's Business*.

Most of their effort was spent on developing short-term answers to this long-term problem.

After they live a while with these plans developed in haste, many companies will want to change them. For this reason, more changes are in store.

Also, as new programs evolve—and they certainly will—each innovation will force companies to look at existing programs to see how they can be changed or improved.

Moreover, there may be a new Tax Reform Act in 1972 or 1973. In the light of that, management must continue to develop a variety of interim long-term income plans—so as not to be hurt by whatever new rules are laid down.

Finally, Phase II of the wage-price freeze cannot be ignored. At the current time nobody fully knows what its effect will be on executive compensation.

However, we do know companies must have certain formal written policies in effect as quickly as possible to meet their future compensation ob-

jectives, and to retain their flexibility.

For example, companies must have job descriptions ready, a formal statement of how job evaluation will be performed, written statements of how salary increases will be awarded and the like.

In short, companies will be well advised to document their pay plans and methods now.

How executives fared

This year, Sibson & Co.'s seventh annual management compensation study included nearly 1,000 companies. It shows:

- Management salaries climbed, on the average, about 7 per cent in 1971. This includes those who got no raises in 1971, others who received typical 12 to 15 per cent raises and fast-track executives whose salaries shot up 20 per cent or more.
- Average bonuses—paid in 1971 for 1970 performance—dropped about 25 per cent. That's about twice as much as average profits tumbled. More than half the companies studied cut

Executive Pay *continued*

their bonuses. One out of every five that normally pay bonuses paid none at all.

Next year should be better. Profits should recover enough to bring bonus payments back to about 85 per cent of 1969 levels.

- Institutional investors are beginning to throw their weight around. In 1971, half a dozen companies we know of had a hard time implementing executive pay plans they thought appropriate because institutional stockholders kicked.

- A heavy emphasis on developing estate-building programs for executives, such as special plans to help executives buy stock under favorable terms.

- Much concern and hard thinking about new types of insured benefits for executives.

As in previous years, we find a definite correlation between salary level and size of the company. There is also a clear correlation between salary level and the industry. Some pay high—others pay low or medium.

But other factors also affect salaries. Among them are these:

- Profitability does not affect salary level. Highly profitable companies do not pay significantly more than unprofitable companies in the same industry. It may be that unprofitable companies need good men as badly to help turn them around as profitable companies need them to keep heading up.

- Length of service does not usually affect salary levels in any measurable way. Companies tend to pay a new man on the job the same as the man he succeeds.

- Age does not correlate with salary level very well. Younger chief executives receive about the same as their older peers.

Companies do not put trainees in the president's job. A trainee had better be able to handle the job when he starts. If he can, he's worth the salary that goes with it.

What's his batting average?

There is growing emphasis, in setting salary levels at the top positions, on weighing the man's value to the company, rather than paying him by the title he holds.

In effect, business is trying to as-

sess executives the way outstanding performers are measured in other fields. The Nielsen ratings go a long way toward indicating to NBC what Johnny Carson is worth to them, and he is paid commensurately. In baseball, what Willie Mays is paid depends on his batting average and playing ability.

Industry does not yet have such tidy and precise measures for its people. But it is developing yardsticks that do make sense.

For example, how well did the executive perform against goals that were set for him? This, of course, assumes that the goals were valid in the first place.

Or, how well did he do compared to others in comparable companies? Better or worse?

Measuring men against criteria like these represents the new wave of thinking in executive compensation.

One logical question that arises is this: Why do management salaries tend to increase about 7 or 8 per cent a year over-all in bad times as well as good?

Is the executive suite overpaid and overstaffed?

Authorities like Peter Drucker and Robert Townsend say companies could probably cut their management cadres back 50 per cent and still be just as effective.

Mr. Townsend's implication is particularly harsh—that companies have a lot of deadwood sitting around doing nothing.

This is not the way we find it.

More often, in periods of economizing, we have found that companies have seized real opportunities for re-vamping their organizations, thoroughly reassessing what each member of management does to see how important it is to the company's objectives.

In several cases, simply by eliminating unnecessary, irrelevant or nonessential work, companies have found it possible to cut the number of management people or the management payroll by at least one third.

But the implication that vast numbers of managers are sitting around with nothing to do is unfortunate and misleading. More often, companies simply have too many layers of management.

In most companies, organizational models are seriously outdated. It's 1971, and they're driving 1923 roadsters.

Over the long pull

Until 1970, the most widespread method for providing executives with long-term income was the qualified stock option plan. Then came the 1969 Tax Reform Act.

Its net effect was to make qualified stock options relatively less desirable for highly paid executives. For those earning over \$125,000 a year, the tax advantage disappeared.

For executives earning over \$75,000 a year, the qualified option was of questionable value.

Furthermore, the bear market pushed many stock options under water. And even executives who wanted to exercise options found it difficult to borrow the money to do so when credit was tight during 1968-70.

As a result, stock options declined in popularity—although they are not dead or dying. Stock options sometimes are still quite useful, both to the executive and to the company. Nine out of 10 companies that had qualified stock option programs two years ago still do today.

But they are not as widely useful as they once were. So management felt an urgent need to develop something new and to develop it quickly.

As a result, many new programs that emerged this year were ill-considered. These usually focused on some tax gimmick or short-term financial gain; they failed to take a comprehensive view of the management compensation problem.

In 1971, most proxy statements we reviewed reflected some kind of change in long-term income plans. Still more changes are likely in 1972.

Many companies that have altered their long-term income programs have adopted multiple plans. Usually they kept their qualified stock option program and added other plans to it—typically, some type of nonqualified stock option plan.

But a slew of alternative plans is emerging. Three years ago management basically had two choices—qualified or nonqualified stock options. Today, at last count, we identify 23 distinctly different kinds of long-

SALARIES OF CHIEF EXECUTIVE OFFICERS

TABLE #1

INDUSTRIAL COMPANIES

Company size
(by sales volume in millions)

		High paying* industries		Medium paying industries		Low paying** industries	
		Bonus- paying firms (000)	Non- bonus (000)	Bonus- paying firms (000)	Non- bonus (000)	Bonus- paying firms (000)	Non- bonus (000)
\$1-5	Salary	\$ 49	\$ 54	\$ 35	\$41	\$ 29	\$ 29
	Bonus	20	—	11	—	7	—
	Total	\$ 69	\$ 54	\$ 46	\$ 41	\$ 36	\$ 29
5-15	Salary	\$ 62	\$ 74	\$ 47	\$ 57	\$ 40	\$ 40
	Bonus	29	—	18	—	11	—
	Total	\$ 91	\$ 74	\$ 65	\$ 57	\$ 51	\$ 40
15-25	Salary	\$ 73	\$ 89	\$ 55	\$ 68	\$ 48	\$ 47
	Bonus	35	—	23	—	13	—
	Total	\$108	\$ 89	\$ 78	\$ 68	\$ 61	\$ 47
25-35	Salary	\$ 82	\$100	\$ 61	\$ 76	\$ 52	\$ 54
	Bonus	39	—	26	—	14	—
	Total	\$121	\$100	\$ 87	\$ 76	\$ 66	\$ 54
35-50	Salary	\$ 90	\$110	\$ 67	\$ 83	\$ 57	\$ 59
	Bonus	45	—	29	—	17	—
	Total	\$135	\$110	\$ 96	\$ 83	\$ 74	\$ 59
50-75	Salary	\$ 97	\$122	\$ 74	\$ 93	\$ 62	\$ 65
	Bonus	51	—	32	—	20	—
	Total	\$148	\$122	\$106	\$ 93	\$ 82	\$ 65
75-125	Salary	\$104	\$138	\$ 82	\$105	\$ 69	\$ 73
	Bonus	60	—	37	—	23	—
	Total	\$164	\$138	\$119	\$105	\$ 92	\$ 73
125-250	Salary	\$125	\$165	\$ 96	\$126	\$ 82	\$ 88
	Bonus	77	—	48	—	29	—
	Total	\$202	\$165	\$144	\$126	\$111	\$ 88
250-500	Salary	\$145	\$199	\$116	\$151	\$ 97	\$106
	Bonus	91	—	59	—	37	—
	Total	\$236	\$199	\$175	\$151	\$134	\$106
500-1,000	Salary	\$168	\$239	\$139	\$182	\$113	\$129
	Bonus	111	—	72	—	47	—
	Total	\$279	\$239	\$211	\$182	\$160	\$129
1,000-2,000	Salary	\$196	\$287	\$163	\$219	\$135	\$155
	Bonus	132	—	92	—	60	—
	Total	\$328	\$287	\$255	\$219	\$195	\$155
2,000-5,000	Salary	\$239	N.A.	\$203	\$278	\$162	N.A.
	Bonus	166	—	119	—	77	—
	Total	\$405		\$322	\$278	\$239	
5,000-10,000	Salary	\$300	N.A.	\$246	\$340	\$205	N.A.
	Bonus	230	—	153	—	102	—
	Total	\$530		\$399	\$340	\$307	

*High paying industries include cosmetics, toiletries and distillers.

**Low paying industries include education, government and leather.

Executive Pay *continued*

term income programs. And there are variations on some of these.

Not all these new wrinkles are related to the price of the company's stock. Long-term bonuses are an example.

Many companies are trying to get stockholder approval—several quite successfully—to grant a broad variety of awards at the discretion of the compensation committee.

We learned important lessons from the 1969 Tax Reform Act.

One, Congress adopted it late in the year. So late that it was almost impossible for companies to adjust for it in 1970. They had too little time to get board action and stockholder approval.

Two, Congress made the 1969 Act retroactive. Thus, many long-term income plans in force were suddenly at a serious disadvantage.

The message for management was clear: Design long-term income packages for the future that permit maximum flexibility.

Bonuses: New trends abound

There are a number of significant trends in incentive awards, or bonuses.

One is an increasing tendency to separate over-all corporate bonus plans from bonus plans for operating managers.

The logic behind this trend is clear. For years bonus plans have been granted across the board, based largely on over-all company profits.

This has created problems.

For example, a company's total profits may be down, but one or more operating divisions may have done very well. Yet, the managers in those divisions were not rewarded because the bonus plan was based on over-all profits.

Now companies tend to set up a separate plan for operating managers whose bonuses are based on the division's profit, sales volume, cost reduction or other specific goals.

Bonus payments directly related to company profits must be reported to stockholders. But most lawyers agree these special incentive plans do not require that formality.

Another trend is for multibusiness companies to develop custom-tailored incentive plans for executives in separate fields.

SALARIES OF LEVEL #2 EXECUTIVES:

TABLE #2

DIVISION MANAGERS & FUNCTIONAL MANAGERS

DIVISION MANAGERS

Size of division (by sales volume, in millions)	Salaries (in thousands)		
	High*	Medium**	Low***
\$1 to 5	\$34	\$31	\$28
5 to 15	46	39	36
15 to 25	56	46	41
25 to 35	63	50	44
35 to 50	68	56	46
50 to 75	75	61	50
75 to 125	85	68	55
125 to 250	101	80	61
250 to 500	120	95	71
500 to 1,000	144	113	81

Level #2 includes managers reporting to office of the chief executive. It does not include such men as executive vice presidents or others who are actually part of the chief executive's office.

*Division managers who are truly independent operators, frequently with as much freedom of action as company presidents.

Usually, they have no corporate staff support in marketing, finance, manufacturing, or engineering. Instead, they manage each of these functions in their division.

**Division managers who have neither complete freedom of operation, nor are subject to close and continuing scrutiny by corporate management. Their auton-

omy is greater than managers' in the "low" category.

***Division managers whose operations are subject to careful review and assistance from corporate staff department heads or corporate management committees. For example, advertising would be handled at the corporate level, even though each division manager might have a manager responsible for advertising; or the division might not have either a manufacturing or a marketing operation of its own.

FUNCTIONAL POSITIONS

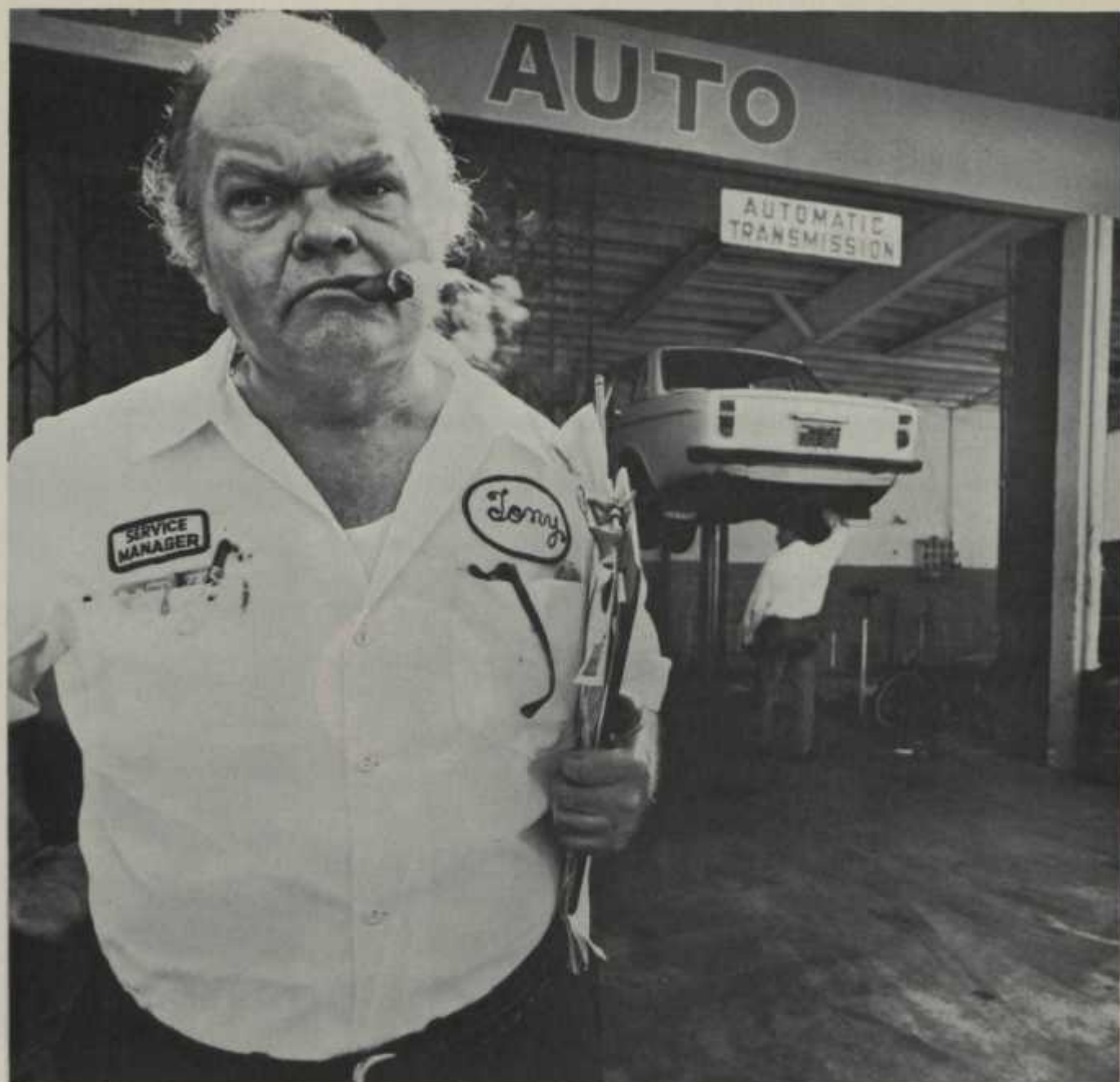
Size of company (by sales volume, in millions)	Salaries (in thousands)			
	Marketing	Finance	Mfg.	Research
\$1 to 5	\$25	\$23	\$21	\$20
5 to 15	32	28	26	23
15 to 25	37	34	31	27
25 to 35	38	37	33	30
35 to 50	42	39	35	32
50 to 75	45	43	38	35
75 to 125	50	48	43	39
125 to 250	58	57	48	45
250 to 500	68	65	56	54
500 to 1,000	79	75	65	60
1,000 to 2,000	95	87	75	70

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Take, for example, a company that operates a packaged goods business, a chemical supply business, a research business, a cosmetics business and a recreational business.

Companies like this have found it necessary to set up incentive pay plans to suit the economic and operating circumstances of each separate business sheltered under the corporate umbrella.

A third trend is in new bonus plans for knowledge workers—such as scientists, technicians and researchers—and corporate staff personnel.

The problem is how to pay them under an incentive plan. Should their bonuses depend on corporate profits?

That can be unfair. Corporate profits may be down even though the staff has done an outstanding job. Or vice versa.

Now, some corporate staffs have been set up as internal service organizations. If the staff operation provides good services and frequently is used, it is logical to consider it as "making money." That becomes the basis for paying a bonus.

One example is a computer service operation. The company's divisions are not required to buy time-sharing services from it; they can buy from outside sources as well. But the computer service does a good job and is used by most of the divisions, so it is logical to assume that it is a valuable contributor to profits.

A fourth trend is toward gearing bonus payments to company or division goals, rather than over-all corporate profits.

To do this, companies recognize that they must identify the organizational units which have strategic value to the business.

That's the real progress in this area. For these units are not necessarily profit centers. In fact, it can be a mistake to adopt a separate incentive plan for each profit center.

More often, it is important to adopt separate incentive plans for each separate corporate business.

Most of the work in this area has been on questions like these:

What are the goals for the business?

What are the criteria to be used to measure performance against goals?

Companies that adopted these specially tailored incentive plans look on

the awards as an investment from which they are getting a return in terms of a more effective operation.

Special incentive bonuses

A fifth trend is what we call special incentive plans.

There is a whole galaxy of these programs. Basically, a special incentive plan is one which takes in a special group not ordinarily covered by one plan. It is intended to be an interim or temporary program, set up to deal with temporary situations.

Companies have been experimenting with these plans to see whether they can motivate people to deal with a unique or special problem until it goes away, or has been solved.

For example, recovering from a natural disaster or meeting an unexpected government deadline—like devising a crash antipollution program.

Other special incentive plans are designed for those not usually covered by management, sales or production bonus plans.

These tend to be awarded to two types of individuals.

One is the "fast track" comer—the

extraordinary young man who, after a few years in the company, shows clearly that he will be one of the top management men of the future. He may be too young, or at too low a management level, to qualify for any other bonus plan. If the special incentive bonus is paid in a way that locks him in, it can be very useful.

The other is the man who makes an extraordinary achievement.

For example, an employee who comes up with an idea that saves the company thousands of dollars on the production line or results in a successful new product.

The year 1971 was one of uncertainty and experimentation—and 1972 promises to be very much the same. END

REPRINTS of "Executive Pay—The Long Term Is Where the Action Is" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.

TOTAL COMPENSATION OF CHIEF EXECUTIVE OFFICERS

TABLE #3

(Compensation in thousands)

Salary	Bonus	Annual long-term income (Such as stock options and long-term bonus plans)	Total annual income
\$250	\$165	\$120	\$535
200	120	100	420
150	85	80	315
100	50	60	210
75	35	45	155
50	20	35	105
40	15	30	85
30	10	25	65

The mix of salary, bonus and long-term income clearly changes as the chief executive officer's position increases in size. Annual long-term income is a much larger part of the total income of the small company's chief executive. Among the reasons for this may be the small company's cash position, which makes compensation in stock options more attractive. Also the opportunity for fast earnings growth and stock price appreciation is frequently greater in smaller companies.

The Over-65 Set: A Bonanza for Business?



In the Sixties, the spotlight was on the younger generation—the young, long-haired protestor; the young voter who some say may decide the 1972 election; the young consumer.

This attitude is likely to shift dramatically in the Seventies.

Now the older generation is clamoring for attention. Already, elderly Americans are getting special notice from President Nixon and other politicians, and from a growing number of knowledgeable businessmen.

Hundreds of delegates meet in the nation's capital this month at the President's invitation to draft new national policies in the field of aging.

The White House Conference on Aging climaxes two years of planning. When it is over, more than a million persons—the elderly themselves, persons who provide services for the elderly, professionals in the field of aging, and other interested citizens—will have participated. Next year there will be a major effort to implement the plans made this month.

Congress already has shown its concern in a more concrete way. Social Security benefits were boosted twice in a 16-month period. A third increase is on the way, with extensive changes making the rules more liberal.

In all, nearly 200 major proposals

for helping older Americans have been introduced in the House and Senate this year, with such goals as more employment opportunities for the aged, expanded low-income housing and more and better nursing homes.

The reason for this attention by politicians is clear. One of every 10 Americans is 65 years of age or older—a total of more than 20 million. One of every seven persons of voting age is in the elderly category, and 1.4 million more persons become 65 every year.

Politicians have doubts about how many of the newly enfranchised 18-year-olds actually will vote. They know oldsters turn out on election day—70 per cent or more of them on the average. This is way above the national norm for all ages. In addition, the old folks have children, and sometimes grandchildren, who can vote, too.

A big market

It doesn't take a great deal of effort either to determine why businessmen are beginning to pay more attention to the older generation.

When a person becomes 65 and retires, his needs don't cease. He still must have a place to live—although it may be a different home than he had before. He still requires food,

clothing, recreation, some kind of transportation.

His income is often a good deal less than it was—averaging about half that of persons below 65. But so are his expenses.

He probably owns his own home, and an automobile, too. His children are grown and gone.

When he becomes 65, he gets a double income tax exemption—for his wife, too, if she is over 65. He becomes eligible for Medicare. Other benefits also help stretch the income of older citizens.

Most elderly persons have income from several sources—Social Security, pensions, interest, dividends, annuities, sometimes wages, too. One of five elderly persons either is working or looking for a job.

As a group, the over-65 set has a total buying power of some \$60 billion a year.

And this can be a profitable market for clothing, health aids, retirement homes, and recreation, travel and other goods and services.

Companies that have tested this market—tailoring their goods and services to the special needs of the elderly—generally have found it very profitable and expect it to be bigger and more profitable in the future.

For one thing, with the oldsters'

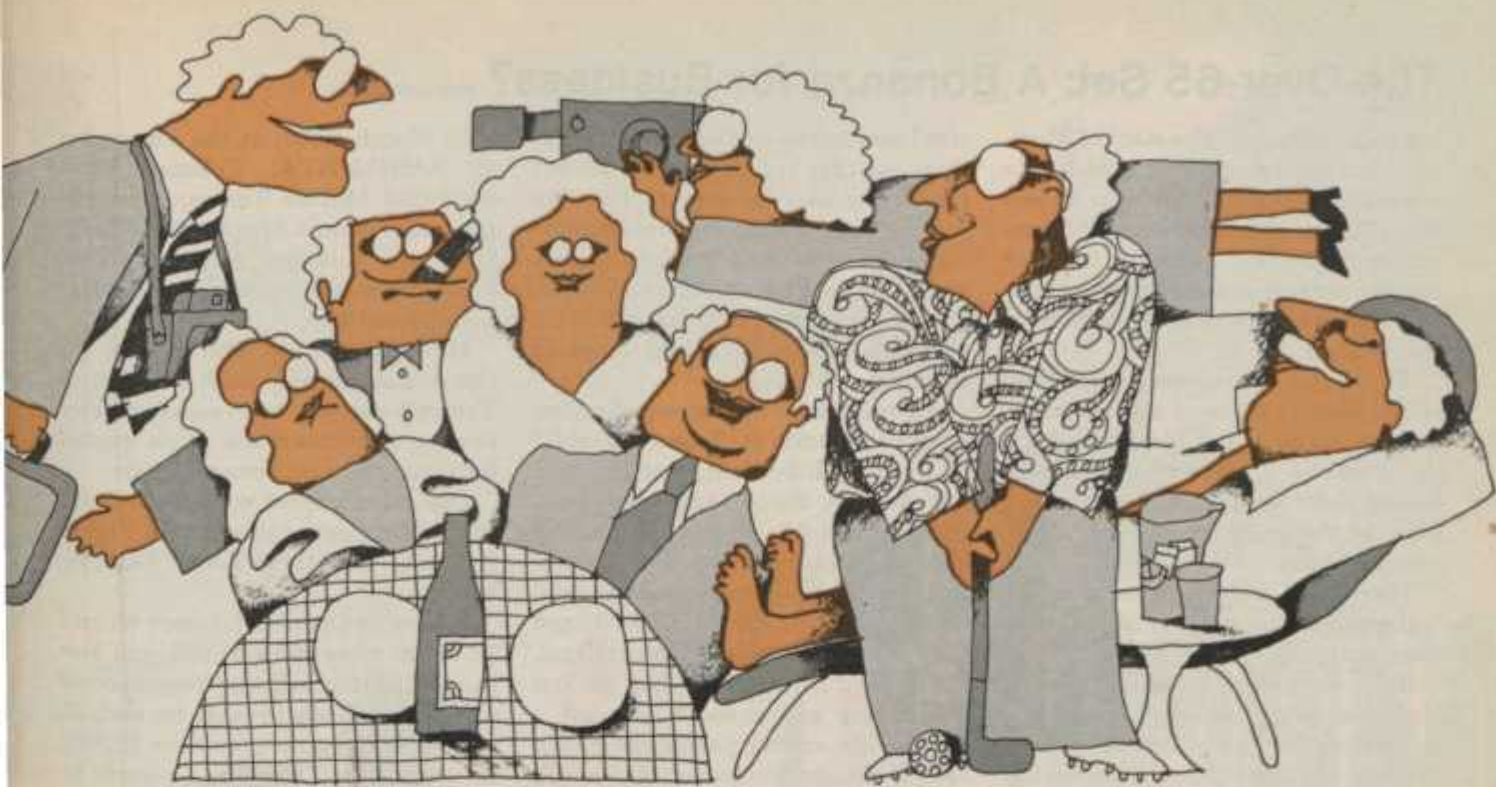


ILLUSTRATION: JACK LEPKOWITZ

growing political muscle, government benefits are likely to expand substantially.

Further tax benefits, including special property tax exemptions and extra state income tax exemptions for the elderly, are being granted by some states and being considered in others.

Social Security benefits will continue to expand.

Private pension funds are growing, too. In 1950, only 25 per cent of U. S. workers were covered by private pension plans with total assets of \$12 billion.

Today, about half the working population has private pension protection. Pension fund assets have climbed to \$120 billion. Economists estimate that 60 per cent of working Americans will have private pension coverage by 1980, and pension assets will total \$200 billion.

A new way of life

But whether an elderly person or couple are well-off financially, or on welfare, their life style is changing. Years ago, older persons usually lived alone or with their children. Many still do, but there is a growing trend of togetherness.

Senior citizens' clubs are common today. Retirement homes, even entire

retirement cities, are springing up in many places. And older Americans are gathering together for other purposes.

The National Council of Senior Citizens, currently 2.5 million strong, was organized over a decade ago to press for enactment of Medicare. Now it is seeking expanded health benefits and other legislation for its members.

The American Association of Retired Persons and the National Retired Teachers Association, with a combined membership of over three million, have banded together to provide members with special health and life insurance, travel aid, auto insurance, lower-priced drugs and other benefits. They, too, have an extensive legislative program.

Working with the Colonial Penn Group, Inc., the AARP-NRTA has developed many special programs for its members. Colonial Penn is one of the first major companies to specialize in serving the elderly.

Colonial Penn offers:

- Life insurance tailored to fit the needs of persons over 55.
- Health insurance specifically designed to supplement Medicare.
- Auto insurance designed for persons over 55.

Policies are automatically renewable up to age 80. Colonial Penn officials note that 20.5 per cent of the

nation's drivers are over 65, yet they are involved in only 14.6 per cent of all accidents. Despite this below-average accident record, the elderly have trouble getting auto insurance, in many cases.

- World-wide travel operations, with tours tailored for older persons.

Some are cut-rate. Many are relatively expensive. The company notes that its "primary market of older persons has both more time and money for traveling than younger people."

- A temporary employment service for the elderly.

In a three-year period, 1968-70, despite a general recession, the Philadelphia-based firm's revenues increased by 70 per cent and net income nearly tripled. Colonial Penn was organized in 1963.

"Auto insurance is the fastest growing segment of our business," says Colonial Penn Board Chairman John J. MacWilliams Jr. "What most firms fail to realize is that the older people market is made up of people with a future. The average man of 55 today can look forward to 23 more years of life, while the woman's life expectancy is three years longer than that."

One aspect of the elderly people's market that has boomed is the nurs-

The Over-65 Set: A Bonanza for Business? *continued*

ing home industry. The start of Medicare in 1966 touched off a rush into the field. At one point, it was known as a glamor industry. Nearly 40 companies announced plans to build or operate nursing or convalescent facilities, and raised some \$340 million by sale of stock.

This boom has tapered off, somewhat. Soaring costs of the programs and serious questions about the quality of service in some nursing homes caused federal officials to reconsider some of the guarantees under Medicare and Medicaid.

There has been tightening up of both regulations and payments, with some cutbacks.

But the potential is still great. Nearly a million elderly persons live in nursing or convalescent homes. Possibly another million lie bedridden at home.

Where they live

There is a vast shortage of adequate housing for the 18 million-plus elderly who are not bedridden—most of whom can get along fine without any help at all.

Many of them live in homes they own. Frequently, though, their homes are in bad repair. Sometimes the neighborhood is deteriorating. Often, these people cannot perform routine repairs themselves. Increases in property taxes press hard upon their fixed incomes.

One solution many an elderly couple adopts is to sell their home. They can use the money to pay the entrance fee to a retirement home. In recent years, many have used some of the proceeds of a house sale to pay cash for a mobile home, which usually costs only a third to half as much as their previous home brings. More than a quarter of the owners of mobile homes are elderly. They have played a significant role in the rapid expansion of the mobile home industry in recent years.

The shortage of housing for the elderly, especially low-cost housing, is so acute that most projects have waiting lists.

One such is a 101-unit subsidized project in a Washington, D. C., suburb that filled up promptly with only word-of-mouth advertising.

In the past decade, dozens of good-

sized new towns and substantial subdivisions that totally exclude all but the elderly have sprung up. They are usually built in outlying areas around big cities, or in traditional retirement areas such as Florida, Arizona or California. Generally, they have thrived, although a few have had financial troubles.

An example of the successful retirement community is "Leisure World," at Laguna Hills, Calif., not far from Los Angeles. Some 14,000 persons—the youngest 52—live in the country club atmosphere there. The cost of their homes and apartments is anywhere from \$20,000 to \$50,000, and they pay annual maintenance charges.

For their investment, they get not only living accommodations, but a way of life among people their own age. There are tennis courts, bowling alleys, an 18-hole golf course, a swimming pool, medical clinics and free bus transportation to Los Angeles.

As in other such facilities, there are walls and security patrols to provide the physical security that is a major preoccupation with many oldsters.

Even providing the lower cost housing for the elderly can be profitable. Under government programs, an investor can get a subsidy for building the project under a limited dividend arrangement. He is permitted a 6 per cent profit, and substantial tax benefits can result. Housing consultants say this can be a very lucrative investment for a high-income person because of the tax benefits.

Oldsters an asset

Some four million persons over 65 either continue to work or want to. If they stopped work at 65, they may have become bored with inactivity. Or they may need the wages to supplement their retirement income.

Some businesses are finding these oldsters an asset. Corporate personnel directors say the over-65 group is a good labor pool for a wide variety of part-time, temporary or hard-to-fill jobs. Many are the so-called "dead-end" jobs that do not attract younger people.

Personnel officials say the elderly show up more regularly, complain less, are willing to do tedious, boring work and will work for less money and no fringe benefits.

In March, 1969, at the suggestion of AARP-NRTA, Colonial Penn organized Mature Temps, a temporary employment firm for the elderly. It reports this new activity is now becoming a profitable part of company operations.

Hiring a worker who is over 65 through an agency such as Mature Temps is one way to bypass company pension and insurance plans geared for mandatory retirement at 65.

One reason older workers will accept lower paying jobs is that higher pay may cost them Social Security benefits.

If a retired person between 65 and 72 earns more than \$1,680 and less than \$2,880 annually, he loses 50 cents of Social Security benefits for each \$1 earned. If he earns more than \$2,880, he loses \$1 of benefits for each \$1 earned. (At age 72, this provision does not apply. He may then earn all he can without loss of benefits.)

This is one provision that most organizations of older Americans are pressing to have either liberalized or eliminated in the near future.

As a group, the elderly have a median income of about \$5,000 a year. Only about 25 per cent have an income of more than \$7,000 a year.

But this can be deceptive, experts say.

A recent study says an aged family with a \$5,500 annual income actually is doing about as well as a younger couple with \$7,200, or more.

There are several reasons, says Dr. Hale N. Tongren, chairman of the department of business administration, George Mason College, Fairfax, Va. Older people get extra U. S. income tax allowances. They don't pay Social Security taxes. In many cases, they own a home, and Medicare results in lower costs for health care.

Dr. Tongren concludes:

"The recognition that aged persons may have more discretionary cash than would be expected from their incomes may prompt market researchers to develop new products suitable to older persons. As birth rates decline, the over-65 age group will become an even larger segment of the population than it is today, and the market does not ignore a potentially profitable group for very long."

END



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There are many stunning views of Virginia ponds and meadowlands at Airlie on a bright, balmy October day. The main dining room's windows are in the background.

"The Silo House," an addition built onto an old silo, is one of several meeting and residential buildings in the Airlie House complex.



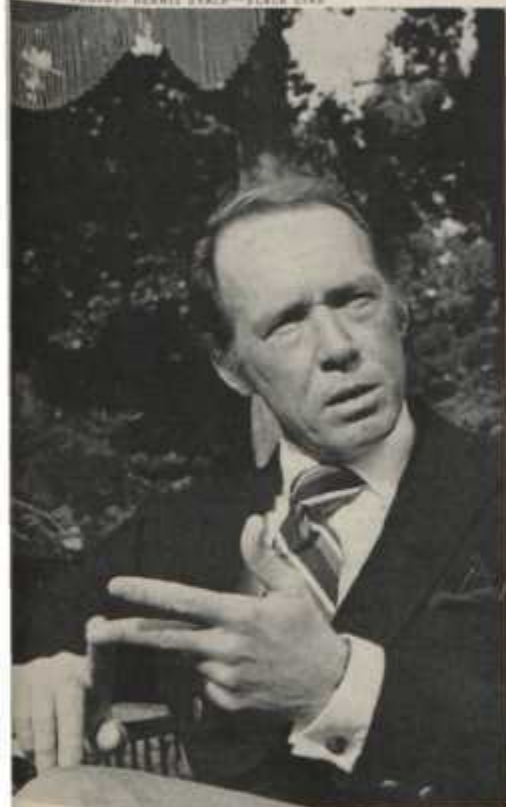
Talking—and thinking—seem to come easy in the pastoral setting of Airlie's 1,200 acres.



When the weather is pleasant, groups meeting at Airlie frequently move sessions outdoors, as this one has. Informality is the rule, not the exception, at discussions.

Getting With It— Away From It All

PHOTO: DENNIS STRACK—GLASS STAR



Dr. Murdock Head, dentist-physician-attorney, conceived of Airlie House as a place offering privacy and an atmosphere where scholars, officials and other citizens could meet to develop and exchange ideas.

The pebble skipped across the placid waters of the pond and the tall, gray-haired man who threw it grinned like a schoolboy.

A few yards away, a short, stocky spectator smiled acknowledgement of a feat well done.

No words were spoken, and in a few moments each left, the tall man strolling toward the small house in the trees and the other toward a Georgian manor in the opposite direction.

Each man was casually dressed. There was nothing to indicate that a chief of staff of one of the branches of the nation's armed forces and an Associate Justice of the U. S. Supreme Court had shared a lazy interlude at the end of a spring day in the green, rolling Virginia countryside.

The site was Airlie House. But it could have been a score of similar quiet, beautiful settings in various parts of the country: Arden House and Tarrytown House in New York, the Harrison Houses in Illinois and New York, the Aspen Institute in Colorado, and Wingspread in Wisconsin, to name a few.

And the men could have been the chairman of a giant corporation and a Nobel Prize-winning writer, or a leader of the civil rights movement and a renowned heart surgeon, or an expert on atomic energy and an international financier.

Or they could have been a salesman and a teacher, or a Civil Service worker and an actor.

Personalities as diverse as these come to ponder and to plan at conference centers, a phenomenon of the post-World War II age of hectic change and fast-paced living.

Ideally located in what John Plotczyk of Arden House terms "accessible isolation," the conference centers offer what Dr. Murdock Head of the Airlie Foundation says is becoming increasingly rare: privacy and an atmosphere conducive to the inception, development and exchange of ideas.

On a given day, at the well-known centers, you can find groups discussing an almost-infinite range of subjects.

At one center separate discussions on the environment and drug abuse could be going on; at another the subjects could be civil rights and city problems, or crime and poverty, or corporate goals and national security.

Big labor and big business

"There is little intermingling of participants from one group with another," says Richard Ross, Airlie House's executive manager. "About the only time is in the dining room. You could have, say, a George Meany and a group of labor officials sitting there at one table and a few tables away the head of a major manufacturing corporation and his top people."

Arden House, the magnificent old E. H. Harriman estate at Bear Mountain some 48 miles from New York City, is the prototype of these conference centers (and its manager, Mr. Plotczyk, is generally acknowledged as the chief developer of techniques for operating one).

Airlie House, outside Warrenton, Va., originally was the domain of a gentleman farmer. Wingspread, north of Racine, Wisc., is one of famed

Getting With It— Away From It All

continued

U. S. architect Frank Lloyd Wright's "prairie houses." Tarrytown House is the former Mary Duke Biddle estate in Tarrytown, N. Y., and the stately Harrison Houses, in Glen Cove, N. Y., and Lake Bluff, Ill., also are former residences.

The Aspen Institute, one of several conference centers at the Colorado resort, has a different history. It was built, in the '50s, for its present use.

Thinking—and planning—has become big business in the United States. Conventions, seminars, sales meetings, and conferences are held daily in hundreds of hotels, lodges, auditoriums, and convention centers. The total costs of these gatherings run into the many millions of dollars.

Every hotel and motel of any size has meeting facilities, ranging from bare, functional rooms to those equipped with sophisticated audio-visual devices.

Many corporations have their own meeting places—some merely offices, others large campus-type complexes such as that of Eastman Kodak near Rochester, N. Y.

Conference center managers believe the distinction between their operations and other meeting sites is in concept: Surroundings and any recreational facilities are subordinate to the purposeful meeting.

A number of centers are connected with educational institutions (Columbia University owns Arden House) or nonprofit foundations (Wingspread is operated by The Johnson Foundation). Others, such as the Harrison Houses and Tarrytown House are run by profit-making corporations.

These centers differ, too, from such university-based complexes as the Centers of Continuing Education developed under the auspices of the W. K. Kellogg Foundation for a specific educational function.

Away from interruptions

"One of the chief attractions for a group choosing a conference center," says Airlie Houses's Mr. Ross, "is that top level people are always under pressure and they rarely can meet without being interrupted.

"Here, no meeting is interrupted to deliver a telephone message unless it is an emergency.

"Another attraction is that confer-



Arden House, the stately old E. H. Harriman estate at Bear Mountain, N. Y., is the conference center prototype. It is part of Columbia University.

ence centers provide a place where a group can meet with almost total anonymity."

Arden House was donated to Columbia in 1950 by W. Averell Harriman. Dwight D. Eisenhower established it as a conference center that year when, as president of the university, he founded the American Assembly. This is a program aimed at providing the public with nonpartisan information on complex problems of interest to the nation.

Because of its proximity to the nation's capital (45 miles), Airlie House is often called Washington's "think center." And the description is true, to an extent.

"We certainly try to keep our rates in line with the government's per diem travel allowance," says Mr. Ross. (This means \$22 a day for double occupancy of a room American plan, \$29 for single occupancy.)

Airlie House, in a sense, was born of frustration.

"I was conducting some seminars on forensic medicine in Washington," says Dr. Head, "and frankly, there were just too many distractions to keep the people nailed down."

Dr. Head, who is a dentist and an attorney as well as a physician, had bought a parcel of farm land near Warrenton, primarily as a place to hunt.

In 1959, he set up an establishment patterned after Arden House. The farm has grown since then to 1,200 acres. Two homes and some out-

buildings have become—through new construction and additions—a large complex of buildings. An old silo was converted. So was a cattle barn. And a carriage house.

"We can feed 500 people a day and sleep 200," Dr. Head says of the foundation's multimillion-dollar property.

A restless man, Dr. Head, 47, is chairman of George Washington University's Institute of Forensic Medicine; head of the Airlie Foundation; and chief executive of a TV producing company which makes documentaries such as "The Distant Drummer," a prize-winning series on drugs.

But the center of his interest is Airlie House.

Pride in diversity

He is proud that such varied groups have gathered there, and that they have tackled such varied subjects.

"Much of the civil rights movement was planned in meetings here," he says. "The first conference on the problems facing the environment was, too. And so was Earth Day, to draw attention to the ecological dilemma facing man."

It was at Airlie House that Republican Congressional leaders gathered after their 1964 election debacle and laid plans for a "new image," a new set of goals. And there, too, freshman Congressmen and their wives have been briefed on some of the problems they will face in moving into Washington's government life.



The Johnson Foundation's Wingspread, near Racine, Wisc., was built as a home for H. F. Johnson of S. C. Johnson & Son, Inc. (Johnson's Wax).

A Joint Chiefs of Staff meeting with Secretary of Defense Melvin Laird would qualify as among the smaller elite conferences held at Airlie House. The largest—tents had to be set up on the grounds—has been one concerning mental retardation. This was on a subject dear to the heart of the then President, John F. Kennedy, and he spoke to the participants by telephone.

President Richard M. Nixon last year addressed the Statesman in Medicine banquet—at which Secretary Laird was honored—by telephone. Prominent at the head table was the "hot line" telephone which keeps exalted government officials in direct touch with the President. It rang once, for Dr. Henry Kissinger, the President's foreign affairs adviser (who promptly left the meeting without explanation).

Groups from every part of the government's Executive branch regularly meet at Airlie House. State Department experts may discuss foreign aid. Or Department of Transportation officials, highways. Or Office of Economic Opportunity staffers, poverty.

All could be in different rooms in the big manor house at the same time. Meanwhile, the small cottage in the trees could be occupied by the Joint Chiefs, and the "Silo House" could be in use by a White House commission (the President's Commission on Violence met at Airlie).

Other conference centers can point to monumental gatherings involving

national and international groups. The Japan Society, for instance, staged a full-blown discussion of "Japan and the U. S." at Wingspread; the International Monetary Fund has held meetings at Tarrytown House.

An added advantage many groups find in Airlie House is its closeness to government offices. They can draw on tremendous expertise on almost any subject.

"As a rule, we don't try to do anything but provide our facilities and equipment such as projectors, sound systems and the like," says Mr. Ross. "But if a group wants us to, of course, we'll try to help them with their program in every way we can."

Between 350 and 400 separate meetings are held at Airlie House each year. The typical group includes 30 to 40 people, and stays for three days

At the end of the day

"The real value of meetings such as the ones held here is the spin-off," says Dr. Head. "If people of diverse views are thrown together for three or four days discussing a subject, they can't help but talk to each other individually. And that means discussion after meetings, too."

Because groups come to Airlie House to work—and work hard—few conference participants bring their wives. There are many women delegates, however.

At the end of the day, if there is no evening meeting, people can gather at the Stable Tavern. Or they can

hike or bike over the grounds, which are still in part a working farm. Black Angus cattle graze on its acres and there are fields of alfalfa.

Airlie House's attractions are spread largely by word of mouth, as could be said of most conference centers. There is no single master list of the centers.

"Sometimes I think we're better-known in Rome or London than we are right down the road in Warrenton," quips Dr. Head, although almost all his staff members come from the local area. He himself has a home on the site with a magnificent view of gentle, rolling meadows.

For complete privacy, there is a cottage with all self-contained services. But most meals are served—usually, buffet-style—in a large and comfortable dining room in the main house.

There have been odd requests, some honored, some not. Once, a group planning a confrontation-type seminar asked for 40 mattresses to be placed in one large room—and nothing else. (Airlie House declined.)

"We also get some special dietary requests," says Mr. Ross. "But these generally are no problem."

Usually, gatherings are models of decorum. But at one, a disagreement over how long a post-meeting "happy hour" should last produced more than a little unhappiness—and some damage to rooms. Airlie House people still don't like to discuss the incident, except to emphasize that it's been the only one of its kind.

There is much repeat business for conference centers (just as there is for convention centers and large hotels in every city). Much of it comes from business.

J. Henry Smith, president of The Equitable Life Assurance Society, is one businessman who believes strongly in the conference center concept.

"We have held several two-day conferences attended only by our senior officer group," he says. "We have found them to be a welcome opportunity to remove ourselves from the day-to-day routines and take a good, hard look at some of our major challenges with a broader perspective. We will continue them."

"We will continue" could be the theme of all the conference centers.

—WILBUR MARTIN

This Month's Guest Economist

Henry H. Wilson
President
The Chicago Board of Trade



Bitter Fruit From the EEC

Much has been written about the threat to our trade position stemming from the technological challenge of such countries as Japan and West Germany.

However, another threat has not been so well-publicized—namely the development of barriers to our agricultural exports by the European Economic Community.

Farm exports are vital to the nation's trade balance. They account for 17 per cent of total U. S. exports. In the 1970 crop year, we exported well over half of our 1970 wheat and soybean crop, two thirds of the rice crop, one third of our cotton, and over a fourth of the tobacco crop. In fact, one crop acre out of four in the United States is planted for export.

When the EEC was formed, it was looked upon not only as a major step in the unification of Europe, but hopefully as a harbinger of greater freedom in world trade. What has occurred, however, is a different story.

In agriculture, we have watched a policy of high internal price supports—buttressed by variable levies and other devices—stimulate production and curtail demand in EEC countries. Not only are potential exporters deprived of markets within the EEC, but any surpluses in EEC countries are pushed into the export market by subsidization. Thus, nonmembers are losing markets both ways.

Last spring, French corn was sold in Cologne, Germany, for \$105 a ton. U. S. corn could be delivered in Cologne for about \$67 a ton, but a variable levy of \$38 a ton (equivalent to a 57 per cent tariff) brought the delivery cost of U. S. corn to \$105, the same as the French price.

The import levy assessed on all food imports in the EEC is equivalent to a tariff of approximately 35 per

cent. This is higher than the agricultural tariff of any country outside the EEC.

Several studies have been made to assess the impact of extending this common agricultural policy to the United Kingdom, when and if it is admitted to the EEC. The results are disturbing indeed.

Like the EEC, the United Kingdom is a major market for world agriculture. Total U. K. agricultural imports amounted to \$5.6 billion last year, with the United States supplying \$450 million of this, mostly in grains and tobacco.

The Common Market does not stop with six countries, or even with 10 countries.

Already, "association agreements" have been concluded with former French colonies in Africa. Other countries—Spain, Greece, Israel, Turkey, Austria, even Yugoslavia—are negotiating or have negotiated preferential import treatment with the EEC. Ultimately, the whole of Europe and vast areas of Africa threaten to come within the restrictive sphere of this massive new trading bloc.

These special arrangements mean the establishing of new preferences, which is in clear contradiction to the principle set forth in the General Agreement on Tariffs and Trade that common markets should not be formed at the expense of increasing barriers to trade for third countries. Unless effective action is taken soon, retaliation and threats of further restrictions may be expected.

There are grave dangers in bilateral confrontations to settle major issues. This practice led to the international trade war of the 1930s and will inevitably invite erosion of the GATT. If the GATT's machinery is not used for settling issues as it was devised to, the GATT will become ineffective.

We who have submitted to obligations within the GATT must make it clear that we are determined not to have our trade rights eroded away. Only by a confrontation within the GATT, where the U. S. and other countries similarly affected have clear rights, is there any chance of getting needed modifications of the common agricultural policy, and avoiding serious damage to U. S. trade from an enlarged EEC.

We should call for a meeting on international rights and obligations in 1972.

Whatever the outcome of such a meeting, we and others must try to put the GATT to its intended use, even if this stretches it to the breaking point, for the GATT is replete with specific negotiated commitments on agricultural products.

We should demand a return to the original promise of the GATT—the promise of a market-oriented agricultural trading world. Present protective systems, such as variable levies and quotas, should be replaced by fixed duties. Broad scale negotiations should deal with price and production policies, subsidies, variable levies and most-favored nation principles.

Most important, U. S. representatives must, by their firmness in negotiations and actions, make the world realize that we will aggressively advance our interests.

Though protectionist policies have been increasing in Europe, we have seen a decrease in trade restrictions in the Far East. Japan has removed more and more of its restrictions on imports of farm commodities.

The President is now called upon to convey to the European Economic Community the need for responsible action. The importance of reversing the present trend cannot be overstated.

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When a Champ Is a Loser

The urge to stake out personal "territory," and defend it against one and all, can do great damage to a company; here are some thoughts on how to fight it

Consider the social life of the kob—a sleek, sturdy antelope inhabiting the savannahs of eastern Africa.

If you visited kob country, you would notice a curious feature of life there—the stamping ground. This area, about the size of a city block, is a collection of smaller individual territories, each as large as a putting green. On every green stands a male kob, alert to defend it against all comers.

Only a champion with a piece of turf is considered a good mate by the female kob.

Out of a herd of 1,000 kobs, a mere 15 males will be in possession of territory. Others roam the stamping ground's perimeter, waiting for a chance to move in. They succeed only rarely, however. A champ successfully defends his turf with kicks or butts, or simply by wagging his ears at the intruder.

If all this sounds reminiscent of the game of Territory as played in American corporations, don't be surprised. Man, too, is a territorial species; the urge simply takes more refined and subtle forms with us.

Every large organization has some employees who have obviously surrendered to their territorial instincts. There is the lady in corporate files who considers each record her personal property and hates to give outsiders a look, or the gentleman who runs the showroom but won't let it be booked for an important customer because the rug shampooing people are coming that day.

But these types, annoying as they can be, are not the real hazard corporations face due to the territorial itch. They are highly visible, it usually isn't hard to coax them into cooperation, and their stamping grounds are rarely large.

No, there are subtler forms of territorialism that are harder to spot and do greater damage over the long run. Men and women in responsible posts may indulge in them, yet be quite unaware of the fact.

The department head's role

Even worse, when territorialism dominates at the department head level, it can infect the entire staff. Territorial needs may then upstage the department's real needs. An unhealthy fraction of the department's energies may be channeled in the wrong direction. Time will be wasted on rituals whose real purpose is to allay

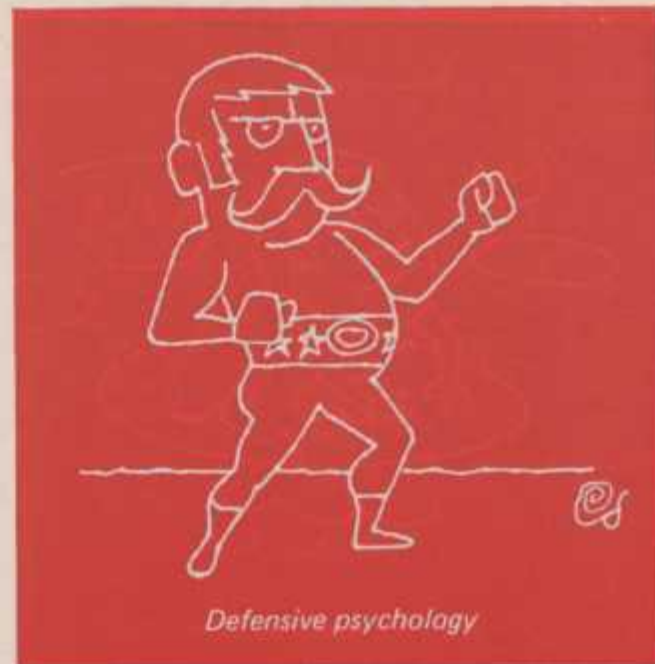


ILLUSTRATION: CHARLES A. BURN

the fears of the person whose cooperation is needed. Since much of the problem lies in the kind of climate created by the department head, let's take a look at what forms of behavior on his part tend to trigger the territorial instincts of his people.

Secretiveness. Knowledge is power within the corporation. There is an information pyramid, much like the organizational one—the higher you go, the broader and deeper the information available to you.

Naturally, department heads are exposed to more information than are those reporting to them. They learn about future plans, they read confidential reports, they attend meetings from which their own people are excluded. Obviously, it is impractical to share this entire hoard of information with their staffs. Time limitations alone would make it difficult.

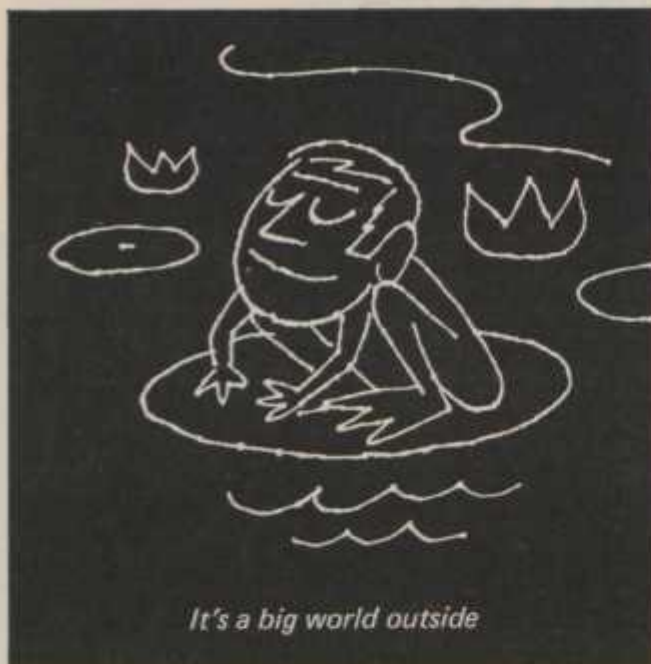
And yet, if a department head gives the impression that this knowledge "belongs" to him, that it is his territory, and he makes little effort to clue his staff to the main thrust of higher planning and decision-making, he may cause trouble.

The personnel man who is asked to do a wage study for a new 100-man work force in an unnamed Southern state—but is not told that management has taken options on land in Shreveport, La., to turn out semi-conductors—is getting only a piece of the information.

Likewise, the junior attorney who is asked to research convictions under the Robinson-Patman Act—but is not told that the Justice Department has started informal proceedings against his company because of certain pricing policies in the plastics division.

In the same boat is the financial writer who is asked to write a speech for the treasurer but is not allowed to interview him.

The response of those left out is likely to be bad over the long run. They may lose interest in the larger environment as their vision is compressed. The next step



may be to protect their own information: What they know will "belong" to them, just as the boss's world "belongs" to him.

Avoiding meetings. Much has been written and said about the hows and whys of holding meetings, but a certain prejudice against them still prevails, for obvious reasons. Meetings can be badly conducted—they can put the group at the mercy of the senior man or a non-stop talker, they can run on endlessly, etc.

But something else about meetings often escapes notice. A conference that is an apparent failure on the surface may work as a unifying force to keep a group functioning as a group—and hold territorial instincts at bay. This is especially true of the group that meets at regular intervals.

Consider the meeting in purely physical terms. A number of men and women are pried from their respective offices or desks and forced to sit in close proximity.

They probably will remain quiet for long intervals, so there will be plenty of chance to take in details that might otherwise escape them—details of dress, faces, attitudes. They will share certain responses—laughter, irritation, impatience.

A result will be that they will feel closer to one another—leading to a climate of trust that will help them work together with less friction.

In one public relations department, staff meetings were held weekly without fail. Their ostensible purpose was to brief the vice president who was nominally in charge, but who was not close to day-to-day operations.

There was the usual griping about such frequent meetings and much ingenuity went into finding ways to avoid them. However, they served a purpose at least as important as briefing the v.p.—they welded the group into a cohesive whole. Even the common annoyance

over the constant meetings was a source of unity. After several years of this, the vice president hired a man to run the department and report straight to him. The public relations director was a likable, easygoing fellow who happened to hate staff conferences. He preferred one-to-one meetings.

It wasn't long before certain problems began to appear.

On one level they were predictable: Information didn't flow easily; staffers were ignorant of facts relating to the work of others; contributions they might have made or assistance they might have been given was missing.

But beneath this information gap other chasms began to yawn. The press relations man refused to allow his list of press contacts to be used for a mailing by the film department (now the names "belonged" to him). The house organ editor began to keep his plans for forthcoming issues dark, except to those immediately concerned. The art director wasn't available for quickie conferences on an informal basis.

Even worse, no one sparkled with ideas for new projects—there was no brainstorming, no group stimulus, no jury of peers.

The disease was far from fatal. Routine work continued to be done well. Priorities that were established were met. But the department stopped functioning as a department.

Keeping them where they are. Some department heads, reluctant to shift people who are performing their work adequately, fail to weigh the effect of the never-changing job on the territorial instinct.

The employee who stays in one spot for many years is more likely to develop the acute territorialism syndrome than is the employee who transfers around the company regularly. The extreme cases—like the lady in corporate files and the man in charge of the showroom—are apt to have been passed over for years. They patrol their perimeters so fiercely because their turf has shrunk to almost nothing.

The best way to combat this, of course, is by job rotation or promotion to new responsibility.

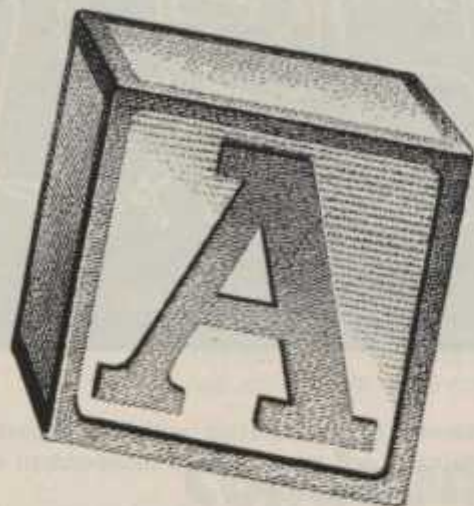
If this is unavailable, another remedy is to work as much variety into a man's work as possible. People should be encouraged to cross boundaries, take on duties they have not tried before. Not only is this professionally refreshing, but it undercuts their territorial urges nicely.

The marketing department of a large producer of fibers escapes the curse of territorialism almost completely by rotating its high-powered specialists regularly.

A man who has spent a year working in marketing for the company's Latin American affiliates will find himself moved into children's wear on the domestic front. A woman who has worked as a fashion consultant to fabric mills will find herself in charge of the company's showroom. A man who has dealt exclusively with TV commercials will take charge of promotions in schools.

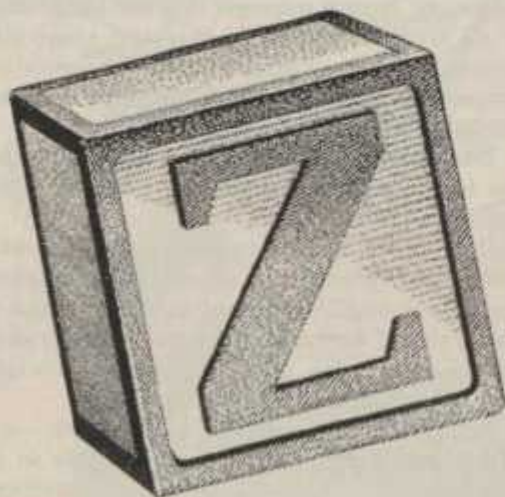
These changes, when they occur, cause a temporary disruption, but the gains over the long run are enor-

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mous. A cadre of specialist-generalists is formed in depth. They're loyal to the department as a whole, adept at communication with their colleagues, and constantly renewed by fresh challenges and opportunities.

Keeping territorialism in check

Territorial responses may be triggered in many ways, and the above is meant only to start you thinking. If you're in doubt about how far the syndrome has progressed in your own company, consider the check list below. Do any of them fit, in whole or in part?

1. Employees have a strong sense of possessiveness concerning skills or information. These things "belong" to someone. Any sharing is done as a favor rather than an obligation.
2. If employees have traditionally handled a certain project and someone else is brought in to help, they resent it and become obstructive. This is the "defending champ" psychology.
3. Senior employees are suspicious of newcomers, who may not respect traditional boundary lines. Newcomers are forced to learn territorial prerogatives.
4. Responsibilities are preferred that can be handled alone or, at most, with one or two others. Marshaling the energies of a large group does not appeal to employees.
5. Employees have little interest in exploring the company outside their own departments, and little desire to help other departments reach their goals.
6. Recognition of, and success for, their private projects far outweighs the success and progress of the company as a whole.

Perhaps the key to the problem lies in a much-used, much-abused word—communication.

The art of management includes creating good



horizontal communication within a department—self-sustaining, self-renewing and independent of any other communication grids.

To encourage this horizontal communication, the department head must play no favorites, demand no special recognition for himself. He must keep the information flowing circularly through the department and vertically from his own higher sources. He must genuinely want his people to know, respect and communicate with each other.

Clearly this requires a very special blend of leadership and self-effacement.

To some managers, doing all this may seem quite unnecessary. Such a manager may see himself as the nexus of all communication. If everyone plugs into him, he reasons, he can switch important information into the proper channels. Nothing will get lost because he has all the lines right under his hand.

But the very fact that most of the calls funnel through the boss creates a special kind of climate, where territorialism thrives.

One hazard of work in large organizations is the narrowness of vision it can impose. An employee may well see only a small section of sky, and begin to mistake the limits of his horizon for the boundaries of the corporate world. He may feel comfortable in his little castle, and before long learn to love it.

But a man's home—not a man's job—is his castle. Much grander landscapes are possible in business.

—RICHARD W. HALL

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Rodney C. Gott of AMF

Early warnings and prompt responses

Rodney C. Gott went to West Point because he thought it was more of a challenge than Princeton. Then he left the Army because he believed business was more of a challenge than a military career.

In 1946—after a second stretch in the Army because of World War II—he switched from the company in which he'd started his business career to another, AMF Incorporated. Reason: He felt AMF offered more of a challenge.

How has he met challenges?

He was high in his class at West Point. He won a chestful of ribbons in Gen. George S. Patton's Third Army during the war. And he went straight up the ladder at AMF. He became vice president of AMF's general products group and commercial research in 1951, executive vice president of the company in 1954, president in 1962 and chairman of the board and chief executive officer in 1968.

In Mr. Gott's quarter-century with AMF, the company has been meeting its challenges, too. Gross revenues were \$16.7 million in 1946. Last year, they were a record \$635.6 million (net profits: \$36.6 million).

From a company making only to-

bacco processing machinery, AMF (American Machine and Foundry, originally) has grown into a multi-division, multinational enterprise with dozens of products. They form an incredible mix, including antisubmarine devices, an experimental safety automobile, and leisure time goods ranging from bowling products to motorcycles and skis (most of which the chairman personally tries out).

Mr. Gott, 60, who left the Army a full colonel, has put his military life behind him (it's Mr. Gott, never Col. Gott). But it has influenced his life at AMF in at least one respect. To make the company tick, he has a "control room" similar to an Army division's "situation room." Here, via charts, he can tell at a glance what AMF's many divisions are doing.

It's his "early warning system" to show any developing troubles. And to cope with them, he has mobilized experts from all over the company into "red," "white" and "blue" teams to go out wherever needed, whenever needed.

A man who has spent most of his life in the New York area (he was born in Brooklyn, grew up in the suburbs and lives in them now), Rodney Gott's horizons are wide.

"One of my dreams," says this driving, ramrod-straight executive, "is a global corporation, owned by shareholders all over the world."

He's also a man who believes a corporation must adapt to its times. All companies today, he feels, must have a sense of social responsibility. But at the same time, he says, they must never lose sight of the fact that "profits enable you to do good."

In an interview with a NATION'S BUSINESS editor, conducted in AMF's head offices in a Manhattan skyscraper, Mr. Gott talks about his life and his philosophy as an executive.

Where did you get the nickname "The Whaler?"

Somebody's been reading the *Howitzer*, the West Point yearbook. The guy who wrote that biography just had to get it in. It stemmed from a single incident, a pleasant weekend where I spent most of my time squirting corn liquor up in the air.

You resigned your commission a couple of years after you got out of West Point. Why did you opt for a business career?

There's a very simple answer. In those days the entire Army consisted

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Rodney C. Gott *continued*

of about 125,000 officers and men, and promotion was 100 per cent by seniority. It had nothing to do with merit. And I didn't find very much competition in the Army.

That, plus the inconvenience—I moved 21 times in the first two years—was what made me decide to go into civilian life.

This was quite a switch, wasn't it? You must have been motivated to be an Army career man, since you went to West Point.

I don't think it was a complete switch. I was actually preparing for Princeton, but some guys I knew who went there had come back boasting about the snap courses they were able to take—things like Russian Realism. I decided I'd rather do it the hard way, where there was more challenge. And I was convinced I'd get a better education.

As for a military or civilian career, I had an open mind.

Your first company was American Radiator and Standard, now American Standard, Inc. How did you happen to go there?

One reason was that my father had been with it for a brief period and so had my brother. So I was more familiar with that company than any other. And in those days of depression, 1935, you weren't too choosy about where you went. I was just glad to find a place.

What was your first job?

Unloading freight cars in a New Rochelle, N. Y., warehouse for \$75 a month. I unloaded faster than anybody else and in a short time joined a sales department trainee group.

Did you stay in sales until you were recalled into the Army?

To a large extent. You know, the company was made up of two separate firms that had never really gotten together—American Radiator and Standard Sanitary Corp. I didn't know it at the time, but there was considerable animosity between the two.

As long as Clarence Wooley was chairman, the radiator part was dominant. I moved out of sales into an assistant manager's job in the New

York office, quite a coup at that age.

Then Mr. Wooley died, and the plumbing end took over and about 50 per cent of the radiator sales and engineering personnel were fired. The New York manager to whom I reported went back to assistant manager and I went back into sales engineering. And that's where I was when I was recalled into the Army.

Weren't you on the staff of Gen. Leslie McNair, the chief of ground forces, at one time during World War II?

Yes. After 18 months of training troops I was transferred to Washington. McNair wanted only troop-conditioned officers. After 18 months, I was shipped back to the troops.

Is that when you went overseas to join Patton's Third Army?

I did my fourth maneuver first, in Tennessee. Then I went over, to Twelfth Corps Artillery. We were a self-contained division in the Corps, with 15 battalions.

Did you have any contacts with Patton?

Sure. He knew who I was.

Without going into all the gory details, the Germans shelled Patton back at his headquarters with long-range artillery. He called up our headquarters. The commanding general was away somewhere, and I had the unfortunate luck of getting the call. And I got the assignment to get those guns.

It took 30 days to do it, but I did. Patton remembered that.

One amusing incident came when he elected to inspect our artillery range one day at Grafenwohr. I was assigned to meet him and conduct his tour.

He flew into Regensburg on a C-47 through a heavy fog. I had Cubs, to be used in a demonstration, spotted at fields a couple of miles away, ready to land as soon as he got in. But they couldn't do it because of the fog. I explained this, but he had a short fuse and it lasted exactly 15 minutes. Then he said, "Gott, come here."

I went over and saluted and he said, "Get those God-damned Cubs here." So I saluted and said, "Yes, sir." I did an about-face, took six

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Rodney C. Gott *continued*



One reason AMF's chief executive officer likes a motorcycle is that it "doesn't do anything for you. You've got to do it yourself."

steps—and then the sky opened, and the Cubs landed.

I about-faced again, and said, "Sir, the Cubs are here."

How did you get with AMF?

I went back to American Radiator after the war but, you know, a war matures you; you have a different outlook on life.

At that time, I didn't see any new thinking, any change at all, and I wasn't particularly interested in what I saw. So I left and got the job with AMF.

You call AMF a diversified manufacturing company rather than a conglomerate. Why?

The word conglomerate has generally been applied to companies whose main endeavor was to buy other companies. They did not have a full operating-company orientation. Their growth was dependent on buying anything and everything in sight, using not cash but paper of some kind.

I don't think we have been in that category and I don't ever want to be categorized that way.

General Motors is every bit as diversified as we are, but nobody would call it a conglomerate. So is General Electric, and so is Du Pont. There's quite a difference between an operating company that is diversified and a

conglomerate that is a holding company.

In making acquisitions over the past several years you've said you wanted to acquire the "Cadillacs" of given industries. What did you mean?

I've wanted to build for AMF an image of quality and—to get a little bit corny—steadfastness. So what I've really been interested in has been companies that represent the number one in quality in their industries.

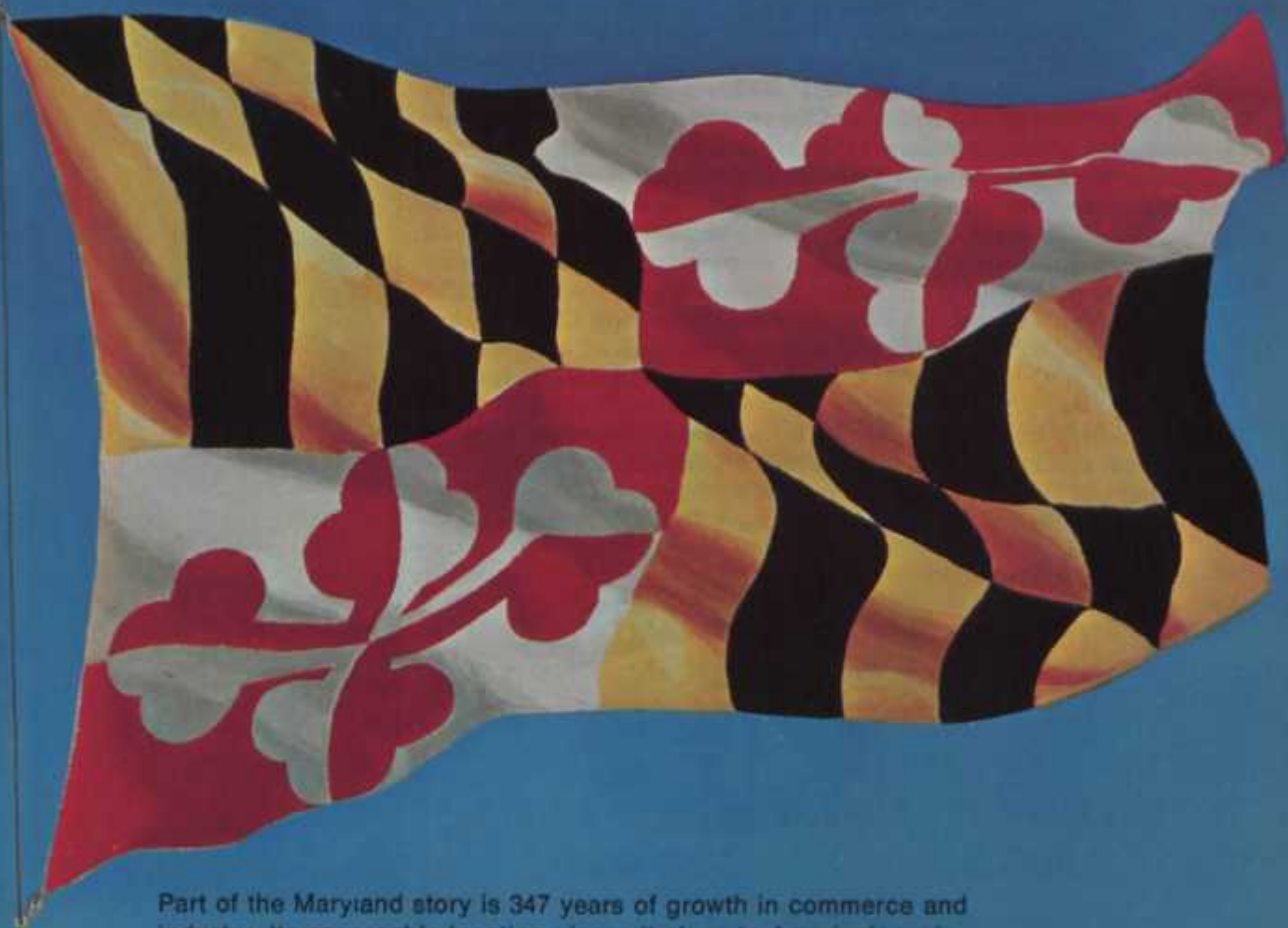
Our acquisitions have been aimed at producing growth where it is more effective to do it that way than through research and development. And I've wanted to be very careful that we got, at the same time, what I would call a good consumer franchise—a well-known name in a particular industry. I think we've done this.

AMF started out making tobacco machinery. Now your leisure time products outstrip your industrial products in general revenues. Do you see this as a continuing trend?

Yes, but we've tried to keep a balance. Actually, it is about half and half. Leisure time runs around 46 per cent or so, industrials about 40 per cent or so, and then you have the government business, which is declining.

I am just as interested in building up the industrial half as I am the

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leisure time half. The reason is that we want to balance out the ups and downs in a whole lot of different industries.

If the capital goods industry is going through one of its unfortunate cycles, it might affect some of our industrial side but not our consumer side. If there is a consumer recession, the industrial side could easily hold up. By keeping both industrial- and consumer-oriented, we can get a steadier growth that is less affected by cycles.

That is the philosophy back of the effort we've made in the last three years to greatly expand our overseas operations. But instead of balancing industries, I've been trying to balance national economies.

It certainly paid off in 1970, because the economy that was hit worst was America's. Now, in 1971, the British economy is slow, but the American economy is picking up. So the name of the game is balance: Within the United States by industry, and so far as the world is concerned, by national economy.

Looking at your own recreational activities, one might say AMF's interest in leisure time is a reflection of your personal interests. Is this true?

No, I don't think it's had much to do with me. AMF was in bowling before I joined the company. Leisure time is just one of the largest growth areas of the future. That's what people are talking about—young, old, member of a labor union or member of management. Having more leisure time.

You do make a lot of products you personally enjoy.

That's absolutely right. I play tennis every weekend. I ride a motorcycle—one reason I like doing that is that the motorcycle doesn't do anything for you; you've got to do it yourself.

I love to sail, and I get enormous relief, strangely enough, from climbing mountains—which I do in the summer all through New England.

With all the problems and tension that go with this job, just being outside keeps me from getting up-tight. I don't think I am. But this doesn't

mean that once in a while I don't lose my temper.

What was the five-point program for AMF you spelled out shortly after you became chairman?

First was consolidation of manufacturing. In my opinion, we had too many plants which were not operating at full capacity. We eliminated four of them.

The second point was reorientation of our technical efforts.

The third was the balance sheet, and of course there was a lot of public knowledge about that because the bowling boom kind of blew up in 1962 due to overbuilding.

As it shook out, a great many of the receivables in the bowling business became questionable. We had taken a sort of pay-as-you-go approach to the problem. We would set aside out of earnings a substantial amount of money as a reserve against any receivables that might go wrong that particular year. This meant that for the foreseeable future there would be a charge against current earnings.

I elected to bite the bullet all at once—clean off all capitalized en-

gineering, pay for the relocation and consolidation of manufacturing and set up in one shot a great big reserve against all future possibilities of the bowling receivables.

Those three points are finished.

Points four and five will never stop. The fourth was reactivation of the acquisition program. That is a part of our growth method and it will continue.

The fifth point was our corporate image. We had passed through a succession of unattractive images, beginning with bowling when it was not popular. We will work on this year after year, to get across our story of steady, stable growth arising out of carefully planned diversification.

Do you see any trend in some stockholder proposals that corporations do things in the social field which are not related to their business?

I don't see a trend, but I hear noises. I think those critics are dead wrong who have suggested they should decide, as participants otherwise than in management, what products a company should make and

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Rodney C. Gott

continued

where they should be sold. That I very much oppose.

But you have spoken strongly about the social responsibility of a company.

Oh, absolutely. But my point is that a company succeeds in making profits by conforming to the era in which it lives. And the era in which we live today requires a corporation to consider itself as much a citizen as an individual.

If a corporation today was going to pollute the environment, was going to put out misleading statements in its advertising, was going to get out the cheapest and the dirtiest product it could as long as it made money, it would, in my opinion, go bankrupt.

You've spoken of an imperative need for early-response warning control. What do you mean?

You have one of my loves in that question. A complicated corporation has to be controlled. Control to me means two things: warning and response.

It doesn't do any good to have a warning system if you don't do anything about it. And it doesn't do any good to have all sorts of resources in reserve if you don't know where to put them. So we have developed a system, which I think is unique, that gives us early warning of trends throughout the corporation, whether they are in Australia or Indiana. And we have a method of doing something about trends when they are brought to our attention. It's easier to show you what I'm talking about than to explain it, but I'll try.

First, we have put all our profit centers on a common accounting system. We budget the year ahead not only in terms of general sales and profits, but break it down for each profit center in all elements of cost.

There are eight basic terms. We know how much of the budget depends on volume; how much on whether the price has been lowered or raised; the product mix of that division and how it affects profit; various costs; plant efficiency; the amount of direct labor input in each plant; non-recurring operating expenses; and inventory.

We visually represent these items, with charts, and they are reported in



A West Point graduate, Mr. Gott fought across Europe in World War II with Twelfth Corps Artillery, the big guns of Gen. Patton's Third Army.

that form monthly in what I call our control room. If a piece of paper comes in and it says division X is \$100,000 over its profit budget for that month, I want to know whether that's good or bad. By breaking it down this way, we very often find out that, based upon the volume it did, it should have done \$200,000, but it didn't control its variable costs.

That's the warning system. What's the response?

What I call a response team. We have made an inventory of all the 25,000 people in the corporation. And we have put together red, white and blue teams with the talents we think we need for each team. We have an industrial engineer, a quality control man, maybe 12 or 15 key jobs. We give the very best people in our company mobilization assignments.

Their jobs don't change or anything, but they are on call if we need to mobilize them to go to a unit which is having trouble. If they do go, they have instructions to correct the situation and stay as long as it takes. We pay them a flat extra monthly fee as long as they are on this assignment. Then, when they're finished, we award them a certificate of business management.

We find out a lot of people are awfully good, but they would never have been discovered unless they'd been

sent out on something like this. And, because their regular jobs have to be filled while they are out, we find out how much bench strength we have—how well we are backed up in every job.

How often have you sent out the response teams?

I doubt whether I've gone through a single month without having had some element of a team somewhere. Often it is a very minor problem. In other cases, it's a major one.

What's the reaction of a plant manager to these teams?

Good. And it's partly psychological. If we sent a member of the corporate staff out there, it would be some "dude" from the head office and a reaction would be: "He doesn't know anything about our real problems." Another reaction would be: "This guy just wants to make himself look good," and, in the back of the mind: "He might be looking for my job."

The team members are guys from brother operating units. They are specialists and they have their own jobs. You know, we often find the problem is an ignorance of fundamentals.

So you feel this system gives you complete control?

Yes, but remember, you've got to

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MISSISSIPPI
THE STATE OF THE FUTURE

Rodney C. Gott *continued*

try to work the almost impossible compromise of balance between control and delegation. If you control too much you will suffocate ingenuity. What I try to do is permit enough flexibility so I don't stifle creativeness, but at the same time know what is happening all the time in every place.

Do you have a blueprint for the future locked in your desk?

Oh, I have a blueprint. But I don't keep it secret; it is never locked up. This is what we work on all the time.

What's your goal for AMF?

Well, one of my dreams is what would be called a world corporation, rather than an international or multinational company. I think we're heading in that direction, too. We've got to think of one great big marketplace out there.

I can see the day when the corporation would be owned by shareholders all over the world, not just in one country. One regime could be headed by an Englishman and 25 years later, when the torch is passed to somebody else, it could be a Japanese and then an American.

Realistically, do you think this will ever happen?

I think it will, some day.

We are intermingling the manufacturing so that a plant in Italy might produce components for plants in France, England and the United States.

We move nationals of foreign countries from one place to another. The president of one of our two subsidiaries in Japan is a Swede whom we moved out of our Swedish operation. We have a Japanese on our Board of Directors, to get his input.

Wouldn't you run into tremendous labor difficulties if a plant in Italy, say, replaced a manufacturing facility in the U. S.?

That is a risk that has to be taken. But I think American labor has to get used to the idea, sooner or later, that it is competing now on a global scale. If labor makes too much in the way of demands, it is going to be hurt.

How would you describe yourself? As a "competitive man"?

Damned if I know. I liked to be forced into things. I like to be the best.

And that's what you want your company to be?

Absolutely.

How important is a sense of humor for an executive?

It's vital. First of all, it prevents you from thinking you're God. And it keeps you from getting up-tight. If an executive gets tense, he begins to lose confidence and if he begins to lose confidence, indecision sets in.

What do you do if you make a really bad decision? Live with it?

Don't think I don't make them. It's one that can be corrected, it is corrected without any worry or pride or anything else. If it can't be corrected, I guess I live with it.

What about an AMF acquisition that doesn't pan out?

We try to make it pan out with the red, white and blue teams. If all fails, we get out of it the best we can. And that's happened, too.

Are you an early-in, late-out executive?

No, I'm an absolute beaver in quality of work, not quantity. All of this get in at 8, leave at 8 stuff . . . well, I haven't seen anything really productive come out of it in any of the people I know within the company or without.

I get in about 9, maybe a little before, and leave around 5:30 or 6.

Then, it's not how long you work, but how smart you work?

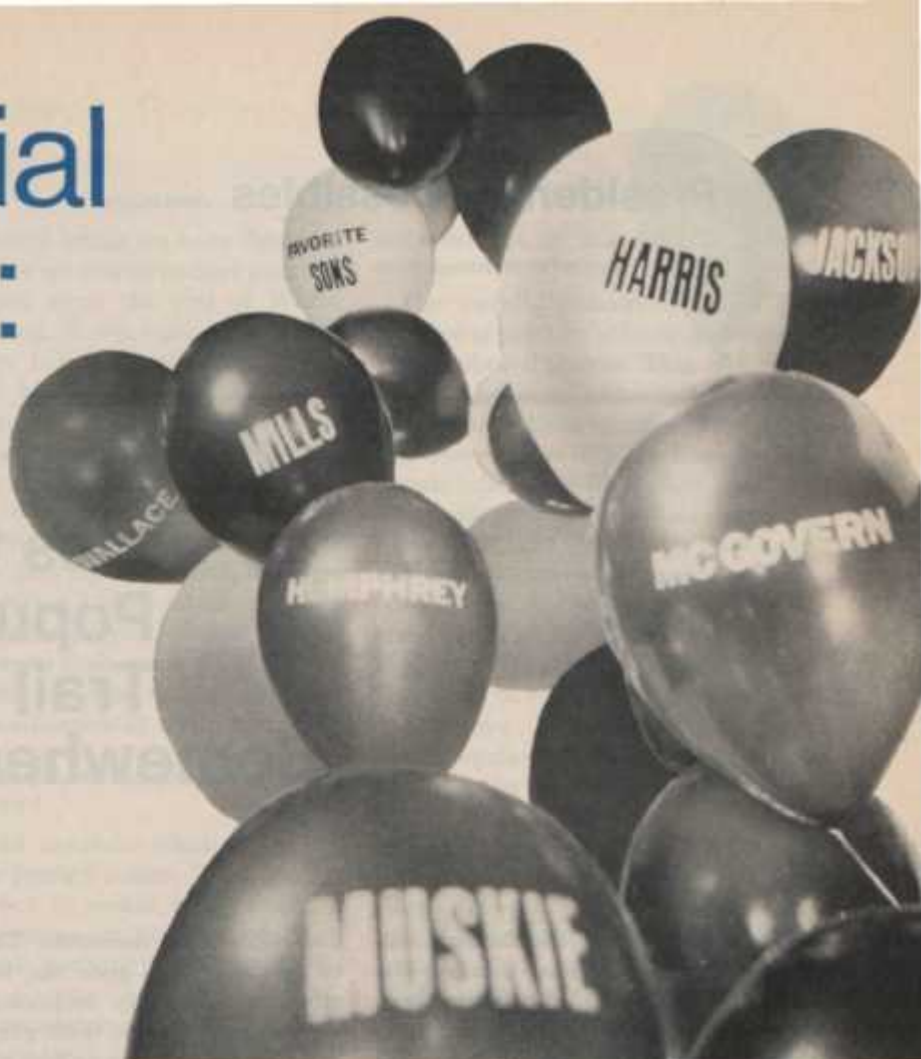
You are so right.

END

REPRINTS of "Lessons of Leadership: Part LXXVIII—Rodney C. Gott of AMF" may be obtained from *Nation's Business*, 1615 H St. N. W., Washington, D. C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.

Presidential Possibles:

Where They Stand



A year hence, more than 140 million Americans will be eligible to go to the polls and elect a President.

It is history that an incumbent Chief Executive usually wins a second term. But not, of course, if he chooses not to run—or gets himself into big trouble.

Democrats think President Richard M. Nixon is in big trouble, primarily because of what he's done, or hasn't done, about the domestic economy.

Criticism of the President's recent economic moves from possible Democratic candidates generally center on the theme that they were "too little and too late."

There are two announced candidates for the Democratic nomination, Sen. George McGovern of South Dakota and Sen. Fred R. Harris of Oklahoma, and serious moves by supporters of such potent political figures as Sen. Hubert H. Humphrey, the 1968 candidate; Sen. Edmund S. Muskie, his running mate then; Sen. Henry M. Jackson of Washington and Rep. Wilbur D. Mills of Arkansas.

There is also widespread specula-

tion about Sen. Edward M. Kennedy of Massachusetts, despite his denials of candidacy.

Trial balloons have been floated by supporters of Sen. William Proxmire of Wisconsin; Mayor John V. Lindsay of New York City; Rep. Shirley A. Chisholm of New York; Rep. William R. Anderson of Tennessee; ex-Sen. Eugene J. McCarthy of Minnesota, who tried for the nomination three years ago; and Mayor Sam Yorty of Los Angeles. And there are dozens of possible "favorite son" candidates among Governors and other Senators and Representatives.

Supporters of Indiana's Sen. Birch Bayh had put together a big campaign organization to push his Presidential hopes, but the Senator took himself out of contention in mid-October because of his wife's health.

Meanwhile, Gov. George C. Wallace of Alabama, who headed a third party movement in 1968, hasn't squelched talk that he might do so again.

One Republican, Rep. Paul N. McCloskey Jr., is stumping New Hampshire as a potential candidate in the

nation's first Presidential primary next March. He started on a one-issue campaign, the Viet Nam War, but has broadened it of late.

The President has not said he will run for re-election, but campaign machinery for a Nixon race in 1972 is being put together and if he chooses to run, as he is expected to, he'll get the G. O. P. nomination easily.

Because the economy looms as probably the largest single issue of the 1972 elections, NATION'S BUSINESS asked those who are most seriously talked about as potential Democratic candidates—and Gov. Wallace—for their views on business questions.

Most of these men insist they do not consider themselves contenders for the Presidency. (Sen. Kennedy declined to participate in the interviews because, he said, he did not want to be seen as a contender.) Be that as it may, as leading political figures, their views are important to every businessman.

Here, then, in alphabetical order, is where seven Presidential possibles stand on business issues.

Does the Populist Trail Go Somewhere?



FRED R. HARRIS

Fred R. Harris, Oklahoma's 40-year-old senior Senator, is using the "populist approach" to make a run for support for the Democratic Presidential nomination, and hopes this trail will lead to large support among blue collar workers, minorities and youth.

He was cochairman of Hubert Humphrey's Presidential campaign in 1968 and is a former chairman of the Democratic National Committee.

A liberal from a basically conservative state, Sen. Harris chose not to run for re-election to the Senate in 1972.

He tested his potential appeal in a series of appearances across the nation, then just a few weeks ago became the second candidate to formally announce he was seeking the nomination.

What do you consider the nation's major economic issue?

If I had to choose between unemployment and inflation, I'd have to say unemployment, though both are highly important.

Inflation is intolerable. A lot of big corporations and big labor unions are able to survive, one way or another, but you cannot continue the situation we've had without bankrupting every city and school and hospital in the country. They are faced with ir-

reversible wage demands. Their cost of operation has gone up, too, with advances in costly technology, and they can't increase their prices very much through taxes or fees and can't increase productivity very much.

The result is that they're caught in a bind that's absolutely going to bankrupt them if we can't get inflation in line.

But I think unemployment is slightly more important. We are wasting enormous resources by having people out of work when there are great demands for goods and services. I hope that President Nixon's wage and price freeze and other measures will bring down both the rate of inflation and unemployment.

What would you do about inflation?

About two and a half years ago, I introduced legislation to create a wage-price board which would have the power to set, after public hearings, wage and price guidelines which hopefully would operate on a purely voluntary basis; but more importantly, the board would have the power to institute wage-price and other freezes for up to six months where necessary to shock the economy back to normal when we're in an abnormal situation, as we now are.

The President has moved in that direction and I think that's good, but

I believe this kind of machinery should be permanent.

Once it had been used, I believe voluntary guidelines would then suffice if you had the right monetary and fiscal policy.

I would provide more fiscal stimulation in the economy than the President is doing. I don't think you have to have the deficits that we now have. They are a result of the slowdown in the economy which the President's mistaken policies brought about. But however we got to this point, it's now important that we have some fiscal stimulation.

The President doesn't provide enough because he's cutting down on some expenditures, at the same time that he's recommending tax decreases, and it's not a net stimulation in the economy.

I would not stimulate the economy by accelerated depreciation, as the President has already ordered, or by an investment tax credit as he has suggested, because it is not a lack of investment which has caused the recession.

I would stimulate consumer demand by deferring proposed Social Security rate increases, by accelerating present provisions for increasing personal income tax deductions, as the President recommends, and by the \$5.7 billion decrease I have pro-

posed in income tax rates for individuals with \$13,000 and less income. That way you could stimulate the kind of consumer spending that would get the economy moving again.

What would you do to get more jobs?

First, I would get the economy moving again by stimulating consumer spending so that you could take up a lot of the slack with increased private jobs while, at the same time, holding down inflation with a wage-price board and a temporary freeze. But the fact is, our economy is not growing rapidly enough to provide jobs for all those who need them.

I would institute a greatly expanded public service work program providing jobs such as health aides, teacher aides, welfare aides, child care aides. Other kinds of jobs can be stimulated by public spending for purposes including the rebuilding of the cities, housing, the production of antipollution devices. These are jobs that need to be done and there are people who need these jobs.

What needs to be done to make American business more competitive in the world today?

We have to stop inflation, because we have been exporting inflation around the world and have become less competitive. I would take steps to devalue our currency along the lines which have been ordered by President Nixon.

I believe we can be far more aggressive in developing foreign markets, particularly in regard to Western Europe and Japan, which have been protectionists against our products while selling rather freely in our markets. I believe the medicine we need is not more protectionism on our part, but less protectionism on their part. And I would move to open up free access of American businessmen to the markets of the Soviet Union, Eastern Europe and China.

I would turn the Yankee trader loose. He's bound too much by government restriction.

What's the answer to increased federal deficits? Raise taxes? If so, where? Cut spending? If so, where?

The deficit which we have this year and the one we will have next year are the largest since the end of World War II, and, in my view, totally unnecessary. It's a situation caused not so much by overspending as undercollection. The Nixon economic policies unnecessarily slowed down the economy, and that's caused our tax receipts to decrease.

So the important thing is to get the economy moving again with the kind of stimulation I have advocated. We will, of course, have to have deficits from time to time when the economy is sluggish, but that should not have been the situation at the present.

What changes would you make in foreign policy?

I would institute idealism as the basis for foreign policy. That sounds simple, but it would bring about a radical change in American foreign policy and perhaps in the world itself.

Some people have said that idealism is not practical, but I think we've gotten ourselves into a lot of messes by not following our ideals, which should be based upon the innate value and importance of every human being. If we did that, if we followed the course I suggest, there would be some fuzzy lines that would be hard to distinguish on how to treat certain countries, but I believe that some things would be very clear.

Brazil and Greece are military dictatorships which torture political prisoners as part of official policy, yet we now send them more military assistance than we did when they were democracies. I think that's wrong.

Pakistan is a country where we continue to send military and economic assistance, despite the awful killing that's been going on there. I think we ought to stop all kinds of assistance except humanitarian assistance.

We obviously ought to get out of that tragic war in Viet Nam. We should be much more clearly on the side of people and their rights around the world.

Do you have any recommendations for

improvement in the field of labor-management relations?

I'm awfully concerned about the increasing practice of having Congress settle labor disputes. This has been one of the most abhorrent kinds of issue I have been involved in during the seven years I have been in the Senate. No one likes that kind of Congressional *ad hoc* settlement.

Against that, however, you have the almost overwhelmingly adverse effects of a major strike, in say the transportation industry, that affects so many people. Congress has not been able to stay out of the disputes.

I believe that we ought to have some regular machinery and procedure in the law which gives much more orderly process to settling of disputes which threaten the whole economy of the country, or the national defense. The ultimate sanction would be to cut off the right to strike or to seize plants.

Hopefully, neither of these powers would have to be used, but if both labor and management knew these sanctions ultimately could be used, it might aid the bargaining process itself.

Does American society need reinvigorating, and, if so, how would you do it?

Yes, I think it does. Most people in America are not satisfied with the quality of their lives. I don't think they feel that they have enough economic or political power over their own lives or that they have a part in a society which sufficiently stresses the ideals upon which it is based.

In World War II, we all felt a part of a common effort, we had a sense of belonging and a sense of community, because we were engaged in defending our homes and our children in a massive national effort. Why can't we do that in peacetime?

Why can't we, led by the President, reinstitute that sense of belonging to the common enterprise bigger than ourselves by working toward a program which would provide greater economic and political justice for people here at home and around the world?

I believe we can do that and I think we need to.

Will the Appeal Still Be There?

The last time the Democrats held a Presidential nominating convention, their choice was Hubert H. Humphrey.

This time, the 60-year-old Minnesota Senator won't have the same edge that the Vice Presidency and other factors gave him then. But his defeat at the polls in 1968 will hardly rule him out.

After all, Adlai Stevenson was nominated in 1956 as well as in 1952, and Sen. Humphrey's margin of defeat—some 500,000 votes—was far smaller than either of Mr. Stevenson's.

First elected to the Senate in 1948, Sen. Humphrey was re-elected in 1954 and 1960. Lyndon Johnson picked him as his running mate in 1964, and four years later, after LBJ bowed out, it was HHH's turn for a race for the No. 1 office. Two years on the political sidelines followed, but he easily won another Senate term in 1970, replacing retiring Democratic Sen. Eugene McCarthy.

What do you consider the nation's major economic issue?

It has three facets: inflation, unemployment and a sluggish economy. And while the Administration's post-freeze program deals with inflation, I believe it deals inadequately with unemployment and productivity.

The Administration's initial actions came tragically and unforgivably late. The wage-price freeze it



HUBERT H. HUMPHREY

imposed is full of inequities. It proposes to scuttle two programs vital to economic recovery and national well-being—welfare reform and fiscal relief to state and local governments. And it falls far short of what is needed to revitalize the economy, to produce jobs and stimulate consumer purchasing power.

The Administration's Phase II program attacks only part of the economic problem. Many questions were left unanswered: How will the anti-inflation machinery work? What will happen to retroactive wages and scheduled increases in legally binding contracts? How will windfall profits be translated into lower prices? And what will be the role of Congress in this post-freeze program?

I favor the re-enactment of the investment tax credit, but suggest it be at 7½ per cent for two years rather than the 10 and 5 recommended by the President. The freeing of the dollar from gold and permitting the dollar to float free is commendable, as is the 10 per cent import surcharge.

I also favor accelerated income tax relief; the postponement of Social Security payroll tax increases; and greatly expanded public service employment, job training and retraining programs, particularly for those groups now suffering from the highest unemployment.

And the President needs within his Administration a national economic

policy council to maintain a continuous review of the domestic and international economy. He needs in that council members of the Council of Economic Advisers, and people who are actually directing policies of government: the chairman of the Federal Reserve Board, the director of the Office of Management and Budget, the Secretary of the Treasury, and possibly the Secretaries of Commerce and Labor from time to time.

Finally, advance consultation must be made a fact of life in this changing economy. Legislative leaders, and representatives of business, labor, agriculture, the consumer and the public, must be called in to meet with the President and his economic advisers on a regular basis.

Mr. Nixon does not do that until circumstances force him to do so.

What would you do about inflation?

Before the President made his announcement of the various boards and commissions, I called repeatedly for a national incomes policy, including the establishment of a wage-price-profits stabilization board to moderate excessive increases in major industries.

I have also called for establishing local and regional productivity councils to help control the wage-price spiral. We used those very effectively in World War II and the Korean War period. I think also that the government has to take certain measures such as controlling excessive use of credit.

What would you do to get more jobs?

First, release the appropriated funds—between \$11 billion and \$12 billion—that the President has impounded.

Second, establish large programs of manpower training. Third, public service employment. Fourth, accelerated public works. Fifth, a volume of money that will promote investment.

Sixth, have the tax cuts that were effective in 1972 go into effect retroactively to Jan. 1, 1971.

Seventh, in order to promote investment, restore the investment tax credit, particularly in areas of high unemployment and in rural America, where you need a substantial investment.

What needs to be done to make American business more competitive in the world today?

We have to realize we can't be competitive in everything. We are competitive in many things, and one way you stay competitive is to improve productivity. One way you improve productivity is with new tools. Therefore, you need tax policy that promotes investment, modernization.

We also may have to take a look at whether we're being victimized by policies such as subsidized exports on the part of other countries—their quota systems, their levy systems. If we are, we have to take appropriate measures.

Also, American businesses need credit—lots of it, and they need a degree of price stability in our country.

I might add that our businesses have to become export-minded. We've had such a big domestic market that a lot of our business enterprise has never pushed for exports. We don't even design a new product for export.

The greatest export we have today is agriculture, and that's a big part of American business. Our agriculture is efficient, and we need to make it more efficient; we need more research, we need constantly to review agricultural export policies.

What's the answer to increased federal deficits? Raise taxes? If so, where? Cut spending? If so, where?

Increase output. The Nixon Administration has proven that merely cutting budgets does not remove deficits. You do a better job getting your budget in balance with an economy that is moving ahead rapidly, and with lower—not higher—taxes.

I believe in the new economics. If you're going to keep American business competitive, you have to have investment; you have to have incentive. What improves the budget picture is the volume of turnover. If you have a tax rate that's catching a rapidly moving economy, you begin to get the revenues that put your budget into balance.

Obviously, you have to look all the time at whether you're spending funds that really are not needed.

And this country needs planning. We don't have a single instrumentality of government that does long-

range planning as to the use of our resources. You can't plan just one year at a time.

What changes would you make in foreign policy?

Well, the time is at hand when we can make some systematic reductions in American troop commitments around the world. I would like to negotiate those rather than do it unilaterally; that's the sensible way.

But the first thing we need is a total re-evaluation of our commitments, not with the objective of abandoning willy-nilly, but of finding out which are really vital, now.

I think we have learned we are not an Asian power; we're a Pacific power. We have interests in the Pacific, but, we ought to recognize that being a power on the Asian land mass is not for us. We need close working relationships with the Japanese. We ought to vote for admission of mainland China into the United Nations. We must pursue relentlessly a program of arms control, broadened beyond the Soviet Union and ourselves.

I want to see our NATO alliance become an instrument of diplomacy. We need careful consultation within NATO so that we are working together, particularly, in connection with trade with Eastern Europe and the Soviet Union. We obviously are not talking now about trade in equipment that has military value; but there are vast areas of products that we can trade in.

Do you have any recommendations for improvement in the field of labor-management relations?

Well, there ought to be annually a conference, sponsored by the government at the White House level, in which labor and capital exchange views. I don't think you would necessarily come out of it with new legislation, but you would begin to get a better picture of national requirements and problems.

In the field of transportation, we are still without effective government mediation and conciliation. I don't have an immediate answer. I do think, however, that you cannot so often have wage scales and transportation rates established by Congressional fiat as we've been doing.

We've got to update the Railway Labor Act and the Railway Mediation Act.

Does American society need reinvigorating, and, if so, how would you do it?

It surely does. It has gone through a very traumatic experience. The Sixties were a period of evolution and revolution, of incredible change socially, economically, technically and in terms of values. We need a decade, at a minimum, for reconciliation and reconstruction and reaffirmation. A time for America to regain its sense of purpose and sense of direction.

This doesn't mean that we withdraw from the world, but that we put the primary emphasis on binding up our wounds, and re-examining our needs and taking care of them.

We can't operate a democracy in a spirit of hatred and distrust.

That's why I believe in getting out of this war. Whatever reason we had to be there has been more than fulfilled. No ally has ever done so much over such a long period for so few as we've done. And it's going to take removal of some of these external tensions to get a reconciliation under way.

Then I said "reconstruction." We've got to have a major period of dedication to our cities and reconstruction of our physical plant. America is privately rich and publicly poor. We have great wealth, but our public services are eroding.

And then I said we need a "reaffirmation" of what we're all about. I think what we're all about is the happiness and health of people. Government policies should be directed not just toward bigger buildings and bigger projects and bigger planes, but toward what it is that makes for good living.

By the way, our people today are more aware of what is good and what isn't. They're smarter.

This is one of the great things that's happening in our country. It's bound to promote a better quality America.

I think these next 30 years will be the greatest we've had. We're on the end of a runway; we've been spinning our motors, so to speak, and we're ready for a take-off. But we must have a team of people that believe we can fly.

Presidential Possibles *continued*

New Western Star?



HENRY M. JACKSON

Henry M. (Scoop) Jackson, 59, is the man many people think would have been John F. Kennedy's choice as his running mate in 1960 if Lyndon B. Johnson had rejected the bid.

Now, there's more and more talk that the junior Senator from the state of Washington is a strong possibility to capture the Democratic nomination for President in 1972.

As chairman of the Senate Interior Committee, Sen. Jackson has large stature in the West, and has been gaining nationwide exposure with speaking appearances. He's considered an expert on military affairs, and turned down an offer to serve as Secretary of Defense in the Nixon Administration.

What do you consider the nation's major economic issue?

Unemployment, inflation and the need for price and wage stability to lay the foundation for vital economic growth.

What would you do about inflation?

The basic problem has been what the economists define as cost-push inflation, rather than the traditional type of inflation referred to as demand-pull. I am convinced that we must work out a program of price and wage stability to deal with this kind of cost-push inflation.

We have paid a heavy price for the failure to attack inflation head-on. Now that the President is using the powers given him by Congress, there is more hope that inflation will be brought within acceptable limits.

If a voluntary system of restraints proves unworkable, we must be prepared to resort to controls as long as inflation poses such a threat to the stability of our economy.

What would you do to get more jobs?

The key is to turn the economy around and increase our rate of growth. At the present time the economy is in trouble in two principal areas: lack of consumer confidence and lack of business confidence.

In order to restore consumer confidence, which is a condition precedent to the restoration of business confidence, we need tax cuts greater than the Administration has been willing to endorse—to be made effective this year. I would favor tax cuts in the lower brackets where your larger consumer purchasing power is located.

I would favor restoration of an appropriate investment tax credit, but I also would delete the liberalized depreciation rules authorized by the Administration earlier this year.

The depreciation schedule which the Administration has sanctioned simply increases cash flow. It does not provide the inducement to purchase new capital equipment which is so necessary to revive the economy.

I would also support an increase in public service employment and an accelerated public works program.

In addition, I think the government should institute an environmental protection program for our

public lands, including national forests and national parks, and provide direct employment for as many as 500,000 men on conservation projects.

All of these steps together will stimulate the economy and help bring unemployment below 4 per cent.

I would point out that it will also, by increasing the gross national product, increase federal revenues. When we lose \$1 billion, roughly, of gross national product, we lose \$300 million in federal revenues.

What needs to be done to make American business more competitive in the world today?

The investment tax credit will help. In addition, we may have to consider the possibility of providing special support to industries engaged in exports.

We must also work out with our Western European and Japanese allies effective programs dealing with trade and international monetary policies. We had a \$10 billion balance of payments deficit for the first six months of this year due in large measure to the international role that we play. We are providing protection to Western Europe and to Japan.

It seems to me that instead of simply acting unilaterally, we should try through sustained negotiations to find ways of avoiding unfair competition and monetary manipulation. And we should also secure greater participation on the part of our allies in their own defense support programs.

What's the answer to increased federal deficits? Raise taxes? If so, where? Cut spending? If so, where?

Lower taxes to stimulate the economy; turn it around and provide the economic growth which will generate the revenue that we need.

You aggravate a recession by rais-

ing taxes. Spending programs should be designed to help stimulate business and the economy as a whole. We should emphasize such programs at the expense, if necessary, of programs which are not making a contribution to the main objective of economic recovery.

What changes would you make in foreign policy?

I have covered some of that question already. The real need is more effective burden-sharing programs with our allies—primarily in money.

I am opposed to unilaterally pulling back American troops from Europe so long as our allies are willing to share the burden more equitably.

The primary reason we have American forces in Europe is to make it clear to the Russians that if they move against the NATO area, they will provoke a Russian-American crisis, not just a Russian-European crisis. The potential for a Russian-American crisis deters the Russian-European crisis.

I would like to see our troops brought home, but I feel very strongly that a substantial unilateral pullback would be a dangerous move on our part. If we pull out our forces unilaterally, then the Russians lose all incentive to negotiate for a mutual withdrawal; we lose our bargaining power to get the Soviet forces out of Europe and to achieve a stable European settlement.

It seems to me the Japanese, without going to nuclear weapons, can build up their conventional forces so that we can reduce some of our forces in the Pacific.

Do you have any recommendations for improvement in the field of labor-management relations?

Out of the present economic crisis could come a golden opportunity to bring about a better working relationship between labor and management. Labor and management will have to work very closely if we are going to bring about any kind of price and wage stabilization.

More can be accomplished by working on specific problems, such as the problems of productivity and price and wage stabilization, than by simply passing laws that would provide for mandatory action against labor or management.

Does American society need reinvigorating, and, if so, how would you do it?

We need first of all an economic reinvigoration. Our national priority should be to foster the economic growth that will create job opportunities for all.

Economic growth is the key because it gives us the resources to achieve our other goals and to provide a decent standard of living for all Americans.

In the next generation we face the challenge of building a new America, of rebuilding our blighted urban areas and building scores of new cities to house our growing population. This will require an enormous capital investment.

I believe that a nation that can send eight men to the moon on four different voyages has the scientific and technological capability to provide for its economic and social needs and do it in a clean, healthy environment. I don't subscribe to the view that economic growth and environmental quality are mutually exclusive. The kind of growth we have will determine what kind of environment we live in. And we will have to plan and manage our growth with greater care than ever before.

Can George Do It?



GEORGE McGOVERN

George McGovern jumped into the race for the Democratic Presidential nomination just weeks before the nominating convention in 1968 and jumped the gun on all prospective candidates in 1972 by formally announcing months ago.

Passionately against the war in Viet Nam, the 49-year-old South Dakota Senator realistically conceded his 1968 attempt had little chance, but feels he has a good chance this time.

A bomber pilot in World War II, a former professor of history and government at Dakota Wesleyan University, he was first elected to the Senate in 1962.

What do you consider the nation's major economic issue?

I think it's a three-headed problem: inflation, unemployment and poverty.

We have reached an unacceptable level of inflation simultaneously with an unacceptable level of unemployment. That, to me, is the most serious economic problem that has confronted this nation since I have been in public life.

Also, for the first time in many years, we actually had an increase last year in the number of people below the poverty level. So you have the presence of millions of families who

are not even up to the poverty level at the bottom of an economic pyramid that's afflicted with inflation and unemployment.

What would you do about inflation?

Before the President acted in August, I had long advocated a wage-price freeze of at least six months to break the inflation spiral. Then I suggested we assess the situation at the end of that time to determine whether restraints ought to be retained. But that freeze must be accompanied by similar limits on windfall profits, dividends and interest. It is unfair to make the working man and woman, the small businessman and farmer bear the burden of sacrifice. Instead, I favor the concept of equality of sacrifice.

When President Johnson decided to escalate the war in Viet Nam, five or six years ago, he should have accompanied it by a wage and price freeze.

What would you do to get more jobs?

Several things. One, I would divert funds from what I regard as excessive outlays on the military side. I think we ought to have passed the Mansfield amendment to cut our manpower levels in Western Europe in half.

We ought to bring about an imme-

diately end to the fighting in Southeast Asia and forestall construction of such weapon systems as the ABM. With those savings, which I estimate at \$15 billion to \$20 billion, you could then undertake, in cooperation with private industry, to deal with domestic problems in a way that would not only improve the quality of our society but create jobs.

I'm thinking about such programs as housing, public transit and an acceleration of our efforts to deal with pollution. If we are going to have deficit spending, public spending should be devoted directly to creating more jobs.

I have recommended that we set up three or four NASA-type agencies, not to do this work, but to contract for it on a planned, systematic basis.

For example, we could charge an agency in the federal government with the goal of building an adequate, efficient public transit system in every major city by the end of the 1970s, like President Kennedy's commitment to reach the moon by the end of the 1960s, and then contract with private industry to achieve that purpose.

In addition, some of the unemployed could perform vital tasks through public service employment.

The greatest weakness of Phase II of the President's economic policy is that it will do nothing to reduce unemployment. In fact, cutting joblessness has been dropped as a goal of that policy.

What needs to be done to make American business more competitive in the world today?

The most serious handicap to American business right now is inflation. We are pricing ourselves out of certain international markets because of it.

Adjustment of exchange rates is necessary. But the first order of business is to halt this inflationary spiral, and halt the needless dollar outflow caused by the Viet Nam War and by stationing 300,000 men in Europe.

The best way to halt inflation is by wage-price-profit restraints and an end to the war.

What's the answer to increased federal

deficits? Raise taxes? If so, where? Cut spending? If so, where?

The most hopeful area for reducing the deficit is to reduce the enormous sums we are now spending on military purposes.

But I don't see how we can appreciably reduce other federal spending.

How can we reduce, for example, the money we're spending on housing when we need 30 million new housing units in this country?

You can't cut back on educational funds when two thirds of the school districts are already at the point of bankruptcy.

You can't very well cut back on conservation funds when the country is in a crisis of pollution.

The same is true of transportation.

Also, there are certain inequities in the tax laws that ought to be corrected.

I don't know how anybody with an income of a million dollars a year or more can justify paying no federal tax at all. Yet we had 300 families who earned in excess of \$200,000 in 1969 who didn't pay a dime in federal taxes.

There are some other tax loopholes that are too big.

We may be talking about enormous sums here. Even if the ideal tax structure wouldn't recoup more than a few billion dollars that are now getting away from us, tax reform would give the average taxpayer more assurance that he was being treated as fairly as the wealthy.

And it would recover some money that we could apply on reducing the deficit.

What changes would you make in foreign policy?

First of all, the United States has got to give up the notion that we have a special responsibility to play policeman for the world.

Our peace-keeping efforts ought to be channeled through the United Nations. I would like to see us build up the U. N. peace-keeping capacity, including a military police force.

I would like to see more of our foreign assistance funneled through it.

Also, we need to develop relations with the most populous country in

the world, China. I have been advocating that for 20 years now.

It's been the height of folly to pretend that the government of China is on that little island of Formosa. The government of China is in Peking. I am delighted the President has finally recognized that, at least to the point where he's going to visit Peking.

We ought to follow that up with an official recognition of that government for admission to the United Nations.

We ought to be pressing for trade relations with China. China can be a great customer of the United States and vice versa. We need each other economically.

In the Middle East, the United States has a unique obligation. I don't think Israel would ever have existed without our intervention. That places on us a special responsibility to do whatever is necessary to see that Israel survives.

Israelis do a good job of defending themselves, but they can't have sophisticated aircraft and other modern weapons unless they get them from us.

We have to supply them while, at the same time, doing what we can to encourage the Israelis and the Arabs to settle their differences at the conference table.

I hope the United States would not go into an era of protectionism in international trade.

We should try to put our own economy in order, bring this inflation under control and then move as aggressively as we can to enlarge our markets.

But we can't do this by repeating the errors of the 1920s, when we tried to hide behind tariff walls and discovered that all we did was paralyze trade and help bring on an international depression.

Do you have any recommendations for improvement in the field of labor-management relations?

I believe in an open process of collective bargaining.

I have been very unhappy about the tendency in recent years to dump labor disputes in the lap of Congress. Congress ought not to intervene ex-

cept in the most serious kind of national emergencies where everything else has failed.

One idea I have been looking at very sympathetically is a plan that has worked very well for the Netherlands and some other countries.

Boards are set up in key industries with members from management, labor and the public—but no government people. The boards make recommendations from time to time on wages and improvements, if any, in working conditions. Those boards would not have the force of law, in the sense that their judgments would be mandatory. But, if properly structured, I think they could help avoid some of the labor management crises that have developed here.

Does American society need reinvigorating, and, if so, how would you do it?

Yes, every society stands in need of renewal. That ought to be a permanent process. It involves not just political action but all the institutions of our society.

I think, for example, that every educational system in this country, from elementary up to graduate school, needs to go through a process of renewal. There's too much tendency on the part of educational institutions to fall into a rut.

I suspect that the same thing is true in the business world, where businessmen need to constantly subject their practices to re-examination and critical review.

On the political level, I think what this nation needs more than anything else are leaders who will tell the truth and stop trying to con the American public into accepting policies that are not in the national interest.

That's where we got into trouble with Indo-China. The war was so indefensible that, when the Administration tried to defend it, they had to resort to lying. On the Gulf of Tonkin resolution, they conned us into thinking that American vessels had been attacked on the high seas without provocation, a total falsehood.

We have to stop lying to each other in this country if we want to restore confidence in our system and in each other.

What Chance Has an Arkansas Traveler?



WILBUR D. MILLS

Rep. Wilbur D. Mills has often been called either the second, third, or fourth most powerful man in Washington.

More than one President would agree that on domestic policy, there is reason to think he's actually second in influence to the Chief Executive, by virtue of his being chairman of the House Ways and Means Committee. In that position, the 62-year-old Arkansas Democrat exercises almost total control over a Committee that must originate all tax legislation and any laws affecting welfare, Medicare, and Social Security.

Now, many people believe this 32-year veteran of Congress has come a long way toward his party's Presidential nomination.

What do you consider the nation's major economic issue?

Improving economic conditions. Efforts have been made to get the economy going and perhaps even

further efforts will be necessary. We must get back to full employment tomorrow—and even that will not be fast enough in my opinion.

What would you do about inflation?

I suggested as early as the first two weeks of the Nixon Administration that the President reduce the budget submitted for fiscal 1970 by President Johnson—that Mr. Nixon cut out \$5 billion to \$7.5 billion. That was not done then.

What we have has been the reverse. We have added programs of government spending. Other new things will be added as a result of the coming Presidential election. In this regard, it makes no difference who is elected President since all new Presidents seem to have to have new programs in order to develop a name for their Administration. So we will have new programs before 1975 and no telling what the rate of spending will be by then.

I would certainly not want to put them on top of all existing programs. I would try to establish some degree of priority as to the existing and proposed programs, and try to get rid of some programs that were not returning as much to the people as other programs.

I think one of the greatest needs we have right now, if we are going to get rid of inflation, is to get better control of government spending. I know there are people who want to spend and spend and spend. But certainly even they are not satisfied with all of the programs the government funds.

What would you do to get more jobs?

I would go to the private sector because the government has never been able to create the kind of jobs that sustain the economy. The private sector is the heart of the economy that we must look to for establishing jobs—that is, the American business com-

munity has to make the investments which are necessary for creating jobs.

But I think we must see to it that the segment of business which is possessed of obsolete or marginal production equipment changes that equipment into modern equipment that will better enable businesses and their employees to compete at home and abroad.

We must find some way to provide the incentives to get people to produce goods at home in greater quantity for foreign markets and cut down the practice of American companies producing abroad that which a company feels it can sell in foreign countries.

What needs to be done to make American business more competitive in the world today?

How in the world can business continue to be competitive, how in the world can wage earners continue to be competitive, if they are going to be the enemy of each other? I think it is highly important that we get away from this constant fight between management and labor.

Each must realize it cannot do the job alone. If we can get them to work together they can constitute a greater force in the world for the preservation of their own opportunities than government ever could.

Somehow, we must get them together. I, frankly, at this point don't know how.

What's the answer to increased federal deficits? Raise taxes? If so, where? Cut spending? If so, where?

We must do one of two things if we are to get inflation under control—either spend less or collect more.

It is easier, in my opinion, to spend less. It is awfully hard to get Americans to agree to any kind of a tax in-

crease whether it be local, state or federal. Many times when people are called upon to approve bond issues that involve charges against their property, they say No. They will vote revenue bonds for industrial purposes because there is no charge against their property. But they even vote down requests of school board members for increased taxes.

In some of these instances you can well understand why, considering the rate of tax and the way property is assessed. After some state actions in increasing revenues, legislatures have come back into session and repealed the act even before any taxes could be collected.

Now, what we need to talk about are specific details of spending less money, not just generalities of spending less money. The way we have done it in the past is to cut across the board. However, that results in cutting the good as well as the bad, making no distinction.

What changes would you make in foreign policy?

We must make up our minds that we cannot continue, because of lack of resources, to stand as the world's only principal policeman and pay the cost in manpower and dollars. It is too much for the rest of the world to ask of us. In my opinion we don't have any more to lose than many countries which are not carrying their part of the load, or any part of the load.

We need to be more cognizant, frankly, of the economic consequences of foreign policy than we have been for the last 40 years. We have made decisions that involved economic matters on our part too often in return for some political favor such as a vote in the U. N., or something of that sort. We have given

up far more on the economic side than we ever received in return.

We must return to the old doctrine of "Yankee trader."

Do you have any recommendations for improvement in the field of labor-management relations?

I would recommend getting the two groups to recognize that they depend on each other. Now this doesn't mean to say that would eliminate sharp bargaining.

But it ought to bring about an awareness that you cannot continually increase wages and prices without creating unemployment and low profits, if any profit at all. We have to remain competitive and if the technology cannot move as fast as wages increase, then prices must of necessity go up if business is to continue to operate.

Does American society need reinvigorating, and, if so, how would you do it?

The American society does need reinvigorating. Frankly, I've worried about this point more than anything that you have asked me about.

What do you do to restore the individual's desire to be tops in his profession or his occupation, or the child's unwillingness to be anything less than the best in the class?

I don't mean to say that everyone always possessed that feeling, but I wonder if there are as many percentagewise who want to put out a real day's work now as there were percentagewise when I was a boy.

There are some now who have concluded there are easier ways to get by than by doing real hard work or maximizing their abilities.

They have deprived themselves of great opportunities. They have lost some of their independence and perhaps even some of their self respect.

As Maine Goes ... (?)



EDMUND S. MUSKIE

Sen. Edmund S. Muskie of Maine gained instant national attention in 1968 as the Democratic candidate for Vice President. Now, he's aiming for the top spot on his party's ticket in 1972.

The 57-year-old Senator is far more used to winning elections than losing.

His defeat in 1968 was only his second since he entered politics in 1946. (The first was when he ran for mayor of his home town, Waterville, in 1948.)

He was elected to three terms in Maine's legislature; won an upset election for Governor in a state long considered solid Republican and, in 1958, became the first Democrat elected U. S. Senator from Maine by popular vote.

In Congress, Sen. Muskie has been a leader in the campaign for anti-pollution legislation. His stature in his party was underlined when he was chosen to give a Democratic rebuttal to President Nixon's election-eve speech in behalf of G.O.P. candidates last year.

What do you consider the nation's major economic issue?

The major economic issues facing

the nation today involve the achievement of full employment and price stability at home and healthy trading and monetary relationships with other countries.

What would you do about inflation?

For months prior to the President's announcement of Aug. 15 I advocated a wage-price review board to curb inflationary trends. The Administration's delay in acting on such recommendations may require more drastic steps to overcome the combined problems of inflation and high unemployment that the Administration's policies gave us.

Whatever techniques we develop, however, should include guidelines, administrative backup, fair treatment of all segments of our society, and minimal bureaucratic intervention in the marketplace.

What would you do to get more jobs?

I would pursue a balanced program of public service employment, expenditure of appropriated funds for needed public programs such as hospitals, schools, transportation systems, water and sewer systems and pollution, acceleration of tax benefits

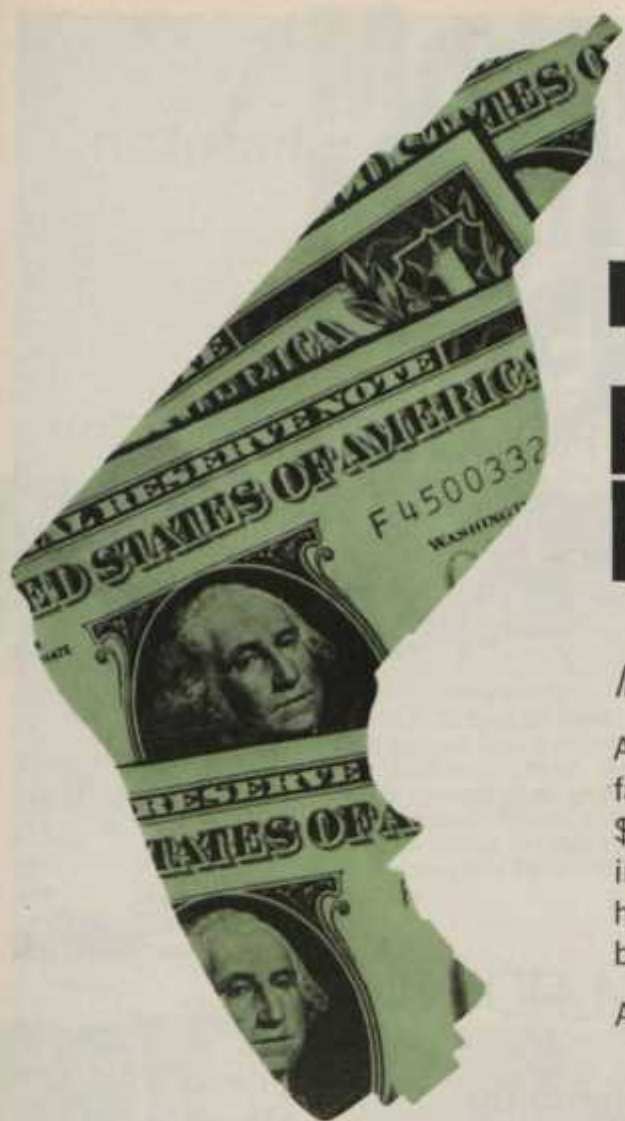
for individuals already voted by the Congress, and some temporary tax incentive for increased consumer demand such as my consumer tax credit proposal.

The President's emphasis on a double-barreled tax break for corporations imposes a very heavy, long-term revenue loss on the country, on the dubious assumption that plants operating at three quarters of capacity need new capital investment.

I believe we should increase public and consumer spending to stimulate the economy and give businessmen a better chance to use their entrepreneurial talents in the marketplace.

What needs to be done to make American business more competitive in the world today?

We are now engaged in efforts to solve the monetary and trade problems that have contributed to United States business difficulties in the international market. Obviously those efforts have first priority, along with steps to halt domestic inflationary trends and the social and economic costs of high unemployment. I believe these steps, properly handled, can create the conditions in which enter-



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What's the answer to increased federal deficits? Raise taxes? If so, where? Cut spending? If so, where?

There is no way to wipe out our deficits so long as our economy is in trouble.

The first step is to restore the economy so revenues will increase. Beyond that we must look to ways of reducing the pressures for increased arms expenditures and we must remove tax loopholes that siphon off needed revenues.

What changes would you make in foreign policy?

As a great power, we continue to have a major responsibility for contributing to international peace and stability. The two areas of immediate concern to us in fulfilling that responsibility are the Indo-China war and arms control.

We must end our involvement in the Indo-China war as soon as possible, and thus help to end a conflict that has killed and wounded too many Americans and Vietnamese, and has torn at our own society. I support an early withdrawal from Viet Nam by the establishment of a date certain for the final termination of U. S. military activities in Indo-China.

We must continue our efforts to reach a meaningful SALT agreement with the Soviet Union, an agreement that will lead to an end to the spiral in nuclear arms development and production, and to steps toward control and reduction of conventional weapons.

As we attempt to improve relations with China, we should take great care that we do not jeopardize our relations with Japan and other Asian countries, and that we do not let our dealings with the Chinese threaten the Soviet Union so that we undermine negotiations on arms control and European stability.

We continue to have an obligation to help the developing nations, and I

believe we must work to build a world economy that closes the gap between the rich nations and the poor. We must stop providing military assistance where it is used for domestic political repression.

A new Administration should design a foreign policy that meets at least three basic standards:

First, we must have a foreign policy that is clear about goals. We need direction and leadership, not ad hoc responses to the events of the day.

Second, a new Administration must insist on telling the truth about its foreign policy. Too many Americans have become cynical about government policies in foreign affairs. An Administration cannot deal effectively with other countries unless it has the trust and support of its own people.

Third, we must have a foreign policy that pays greater attention to the human consequences of our own policy decisions. We cannot hide the impact of our policy decisions on the people of this planet behind arid abstractions and vague clichés.

Do you have any recommendations for improvement in the field of labor-management relations?

During periods of inflation and high unemployment, labor-management relations must almost necessarily suffer. Negotiations are prolonged, strikes appear to occur more frequently, and the drama at the negotiating table increases as disagreements involve large wage agreements which often include increases for rises in the cost of living, both past and future.

Once these settlements appear to contain dramatic increases, it is hard for management not to feel the demands are unreasonable, and difficult for labor not to resent management's resistance to their demands.

I believe the major chances for improvement in labor-management relations rest with improving the performance of the economy. Once wages and prices are again stabilized, labor-

management relations should improve.

Of course, there will still be jurisdictional disputes, unfair labor practice actions, increasing reliance on arbitration procedures, and frictions in newly unionized industries or sectors. But with the return of stable noninflationary growth, a major cause of fundamental negotiating impasses can be removed.

Does American society need reinvigorating, and, if so, how would you do it?

Our society needs a renewed commitment to achieve the promise of the Declaration of Independence and the Constitution that all Americans will have an equal chance to achieve their potential, that they will be able to live in a society which makes it possible for different people to live together in peace and safety and to work together for their common goals.

If we are to achieve that promise we need to restore trust and confidence in each other and in our public institutions.

I believe Americans want just that. They want their leaders to speak the truth. They want their government to represent the truth. They want to know the truth about each other. They want to know what's right and what's wrong with America, and they want to work together to right what is wrong.

Some of the truths about ourselves are not pleasant. We do have discrimination and hate and fear and distrust. We have neglected the health of our people and our communities. We have not moved effectively enough to protect our citizens from violence or to insure equal justice.

But because I believe in the fundamental decency of Americans and their capacity to respond to leadership that unites rather than divides them, I believe we can invigorate the country with a sense of high and common purpose and a commitment of resources to make America a place of fulfilled hopes and not frustrated dreams.

Third Man In?



GEORGE C. WALLACE

George C. Wallace, 52, attracted nearly 10 million votes in the 1968 Presidential election at the head of a third party ticket, and there is speculation that in 1972 he will again be the third man in the race.

The Alabama Governor's candidacy in 1968 was cited as a principal reason for President Nixon's failure to win a majority of the popular vote, and for a time it appeared distinctly possible that Mr. Wallace would pull enough Electoral College votes to toss the outcome of the election into the House of Representatives. There, with the winning candidate chosen by the state delegations voting as units, Mr. Wallace might have held the balance of power.

A bitter foe of many federal government policies, Mr. Wallace was Alabama's Governor—he was elected as a Democrat—from 1963 to 1967. By law, he could not succeed himself, but his first wife did, serving 16 months until her death. He won reelection as Governor in 1970.

What do you consider the nation's major economic issue?

I think it's generally understood by everyone, including the President, that inflation, unemployment, loss of jobs caused by foreign imports—especially in the fields of textiles, steel, electronics, camera equipment, shoes and the like—are some of the economic problems we face.

I am not necessarily in agreement

with all the actions the President has taken.

However, I am glad that he has recognized that his former plans were not working and that something had to be done—and done quickly. The inflationary spiral of more than 5 per cent annually and the highest unemployment rate in many years had become intolerable.

It is regrettable that actions and inaction on the part of the Administration made these steps necessary. Basically, Americans are opposed to such economic controls in a free economy.

We have always believed in, and continue to believe in, a free enterprise system.

Unfortunately, deficit spending in an exorbitant manner on worthless and unwise programs, coupled with an unbalanced and too-high tax structure, brought us to the point where the President had to act.

What would you do about inflation?

I would first curb deficit spending by the federal government—the deficit now being the highest that it has been in many, many years, if not the highest ever.

The government dollar, taken from taxation, competes with all other dollars on the market. This, naturally, has brought about an inflationary spiral. Reduction in unnecessary federal spending would do much to stabilize our economy.

What would you do to get more jobs?

Well, that comes right back to the question of taxes. The tax structure in the country ought to be revised. And I am talking about taxes on both individuals and on business.

We have an estimated \$103 billion worth of commercial church property in this country that is not taxed at the federal level. We have untold billions of dollars that lie untaxed in foundation treasuries because our laws provide a tax shelter for the ultra-rich.

That means that business and industry and individuals of low and middle income are having to pay a greater share of the tax burden than they should. The more tax-exempt property placed on the tax books, the more the load on the low and middle income working man and on business in general.

I think that if we could give some tax relief to the average business, this would result in business expansion.

I think that the President's proposal to provide tax credits for expansion programs for industry is, in itself, going to help solve some unemployment. I also feel that the tax structure of the country has become so regressive that its revision and equitable adjustment would prove the solution to many problems involving inflation, unemployment, and even the matter of competition with foreign imports.

Our tax structure should encourage expansion and productivity instead of

suppressing progress—it should be fair to all.

What needs to be done to make American business more competitive in the world today?

I still get back to the question of an equitable tax structure—and I am going to keep sounding off on that subject. If the foundations—with their multibillions—and the churches—with their multibillions of commercial property holdings—were on the tax rolls, that would relieve business of excessive taxation.

This means that businesses could produce with less costs; it means that they could modernize their equipment to compete with the modernization of equipment in Japan and West Germany—two of the nations that we modernized with our own tax money after World War II.

What's the answer to increased federal deficits? Raise taxes? If so, where? Cut spending? If so, where?

The solution, in my judgment, is to cut spending. The spending that goes on today, in many instances, results in no increased productivity—no increased wealth. For example, if a wage increase is given and the production does not increase commensurate with the wage increase, you have inflation. But the problem is excessive government spending.

You ask where to cut? Many of the foreign aid programs are a complete waste of money. In this day and time, when our Western European allies are probably at the zenith of their economic capacity since World War II, they should be called upon to play a greater role in sharing the costs of protecting the free world. I don't think we ought to cut our troop strength in Western Europe—but I do think that the West Germans and the others should help to pay for the maintenance of American troops stationed there.

I also think the Japanese should be called upon to aid in the rehabilitation of Southeast Asia—which I am sure we are going to become involved in after the war in Viet Nam is wound down.

What changes would you make in foreign policy?

In the first place, I would recognize that even though we are the world leaders, we cannot police every part of the globe. We are not able militarily and we are not able economically to do so.

I would never become entangled in any land war in Asia. I would be wary of making unrealistic commitments, although we should live up to the commitments we have made.

I would insist that those who use our nuclear umbrella as a shield help us bear some of the cost of maintaining our troops in their areas of the world—especially those nations that are economically strong. This would apply to the Japanese and to the West Germans.

As far as Red China is concerned, I hope that the President is successful in his forthcoming trip and that whatever he does results in world peace. However, I doubt that this will be the result of his trip. I think the China trip is going to prove to be a colossal mistake.

The only thing that the President will accomplish is to be required to give some unilateral concessions to enable us to get out of Southeast Asia and then turn South Viet Nam over to the communists.

Do you have any recommendations for improvement in the field of labor-management relations?

Yes. I'm going to get back to something that is repetitious in order to answer your question.

Management and labor must push for the removal of inequities in the tax structure that have hampered big business and small business alike and have put the American worker's nose to the grindstone.

If both labor and management were to join together in asking the government to do what I suggested a moment ago—remove the tax-exempt status of the ultra-rich foundations and of commercial church property—this joint endeavor not only would allow funds for expansion programs and modernization of equipment and machinery, but it would also improve and enhance the standard of living of our labor force.

I make a prediction—this is going to become one of the major campaign issues of this country in the near

future. I mean the inequities in the tax structure that protect the super-rich at the expense of business and the working man.

I believe both business and labor are guilty of excesses on occasion. But I also believe that in the long run, business and labor, working together, are going to be able to continue to keep a strong middle class in this country.

Both business and labor, through collective bargaining, have brought this strong middle class about—despite excesses on both sides. I don't think, however, the excesses outweigh the good that comes from collective bargaining and the absence of compulsory arbitration—which I oppose.

Does American society need reinvigorating, and, if so, how would you do it?

Well, I wish we had won the war in Viet Nam several years ago as we should have, because this continuation of the killing of a few American servicemen each week, which is far too many, has made this country turn inward.

I think it would invigorate us if we were successful in getting out of Viet Nam, and if the present program of Vietnamizing South Viet Nam succeeds.

I think we lost some of our vigor when we first entered this war.

The American people wanted it pursued to a successful and honorable conclusion. They don't like a "no win" policy for America.

Getting out of Viet Nam will end some of the unrest among those who are genuinely concerned about the war. It won't stop the unrest among the group in our society who are intent upon destroying this country—for the simple reason that nothing will satisfy them.

In short, I would adopt and pursue national goals and objectives that were designed solely with the best interest of this country in mind and I would clearly define these goals and objectives and pursue them to a successful conclusion.

I would insist upon a strong national defense sufficient to enable us to deal fairly, frankly and forcefully with friend and foe alike and to preserve the honor, dignity and security of this country. **END**

DYNAMIC GROWTH COMPANIES

Levi Strauss & Co.

"The Pants That Won
the West"—and the
East, North and South

Walter A. Haas Jr., who with brother Peter runs—and owns much of—Levi Strauss & Co., was traveling abroad recently and for a guide he had a pretty Turkish girl wearing Levi's blue jeans.

A companion, pointing to Mr. Haas, told the girl, "That man is the big man at Levi's."

The young lady was unimpressed and Mr. Haas' companion persisted, "You know, the American company that makes those Levi jeans you're wearing."

That triggered a change in attitude. "Oh yes, you mean my Levys," the girl said. From then on Mr. Haas was a celebrity nonpareil wherever he went in Turkey because people kept passing the word that he was "Mr.

Levi's caught the fancy of a more relaxed America in the late 1960s and—being cut tight and low—they neatly set off the figures of pretty young girls.





Walter Haas, 55, and Peter Haas, 52, chairman and president respectively of Levi Strauss & Co., are great-grandnephews of the founder of the San Francisco firm. They brought into upper management a team of top-flight business school graduates and these young managers diversified "the pants that won the West" into today's "hipsters" of many hues for men, boys, women and girls. New lines of informal wear have also been added.



Levi Strauss & Co. turns out pants as fast as a bakery makes doughnuts, but remains highly conscious of fashion. Bing Crosby has bought several denim evening jackets, and the French couturier, Yves St. Laurent, once based a whole line on Levi blue denim. The World War II "Eisenhower jacket" was modeled after one the company made for cowboys. Walter Haas says the firm will always stay in tune with the times.



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 AND ALREADY AN
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Flared pants aren't new, only the description. In 1880 they were called "spring bottom pants." They were cut that way so a fellow could get them on over his boots. As you might guess, prices have risen somewhat since then. The famed Levi's trademark—two mules tugging at a pair of pants—is up top on the right.

Forty-niners and others in polyglot California put words in our language because of the Levi's they wore. Genes worn by sailors from Genoa, in Italy, were the origin of the word jeans. Dungaree, another term for such pants, stems from the East Indian word dugri. Cloth in them, from the French city of Nimes, soon was called denim.

Levi Strauss & Co. *continued*

Levy." A difference in pronunciation is the only varying factor connected with a pair of Levi's, no matter where in the world you are. The jeans are the same everywhere—stoutly made, distinctive, inexpensive.

And they have been that way for 121 years—ever since a 20-year-old Bavarian immigrant went west to San Francisco. Levi Strauss was sent there because his older brothers pre-empted the more attractive East for the family mercantile business.

Young Levi had canvas to sell for tenting to the forty-niners in the gold fields, but the goods weren't moving well. So he dyed the cloth indigo, cut it into pants, riveted on the pockets (to help hold nuggets) and thereby established a business, and a tradition. Since that first pair, a half billion Levi's have been sold.

Levi Strauss & Co., is still headquartered at 98 Battery St., San Francisco, its original site. Today,

the sales line includes, as Walter Haas puts it, "Pants and anything else that helps sell pants." He means such things as belts, suspenders, blouses, shirts, jackets. A "Levi's for Gals" division was started in 1968 and already is one of the half-dozen largest makers of women's clothing.

It may appear strange calling a 121-year-old-firm a dynamic growth company, but look at what's been happening to it!

Until after World War II, Levi Strauss & Co. moved unspectacularly along selling pants, and doing a fair-sized wholesale business with other people's products, west of the Mississippi. Annual revenues were in the \$8 million area.

Then the Haas brothers changed that. They brought in a host of Harvard Business School graduates and top students from other schools. Wholesaling other people's goods was phased out. New lines were set up. The

company strove to make jeans, that work-a-day product, more fashionable—and succeeded.

New sales areas were carved out, and production facilities were set up in 10 more states and abroad.

In 1966 total sales were \$147.8 million; in 1969 they were \$251 million and last year they were \$328 million.

Last spring, after having been for years one of the largest family-owned businesses in the country, the company finally went public. The reason: to finance expansion.

Few companies emphasize quality control as much as Levi Strauss. The firm calls it "product integrity" and there's a separate department devoted to quality which reports directly to Peter Haas.

Once, the product integrity people exercised their rights and declared a half-million yards of blue denim too inferior to be turned into Levi's. END

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One County's Loss Is Another's Gain

Americans are still very much a "moving" people, even if it's only to the next county.

In a publication based on the 1960 and 1970 censuses and local birth-death records, the Census Bureau reports that 7 per cent of the population, about 14 million people, move each year from one county to another and about half that number move from one state to another.

In the years 1960 through 1969, the Bureau says, 1,757 of the nation's 3,124 counties gained population and 1,367 lost population.

It notes that some of the gainers would have lost population due to residents moving out, if not for the birth rate.

In general, the movement was from rural areas into metropolitan areas, although some of the biggest losses were from large cities and their counties.

Orange County, Calif., (Anaheim area) had the largest increase through migration, 551,000. Suffolk County, N. Y., on Long Island, gained 328,000 in this way. Santa Clara and Los Angeles counties in California; Broward and Dade counties in Florida, and Harris County, Texas, all had net in-migrations of more than 250,000.

In the loss column were Kings County (Brooklyn) in New York City; Wayne County, Mich. (Detroit); Cook County, Ill. (Chicago), and Philadelphia County (and city) in Pennsylvania. All dropped more than 200,000 through migration, disregarding births and deaths.

The Census Bureau calculates that of California's 4.2 million increase in population during the Sixties, about half resulted from migration and half

from the excess of births over deaths. Florida gained only about a half million through births and deaths and 1.3 million through migration.

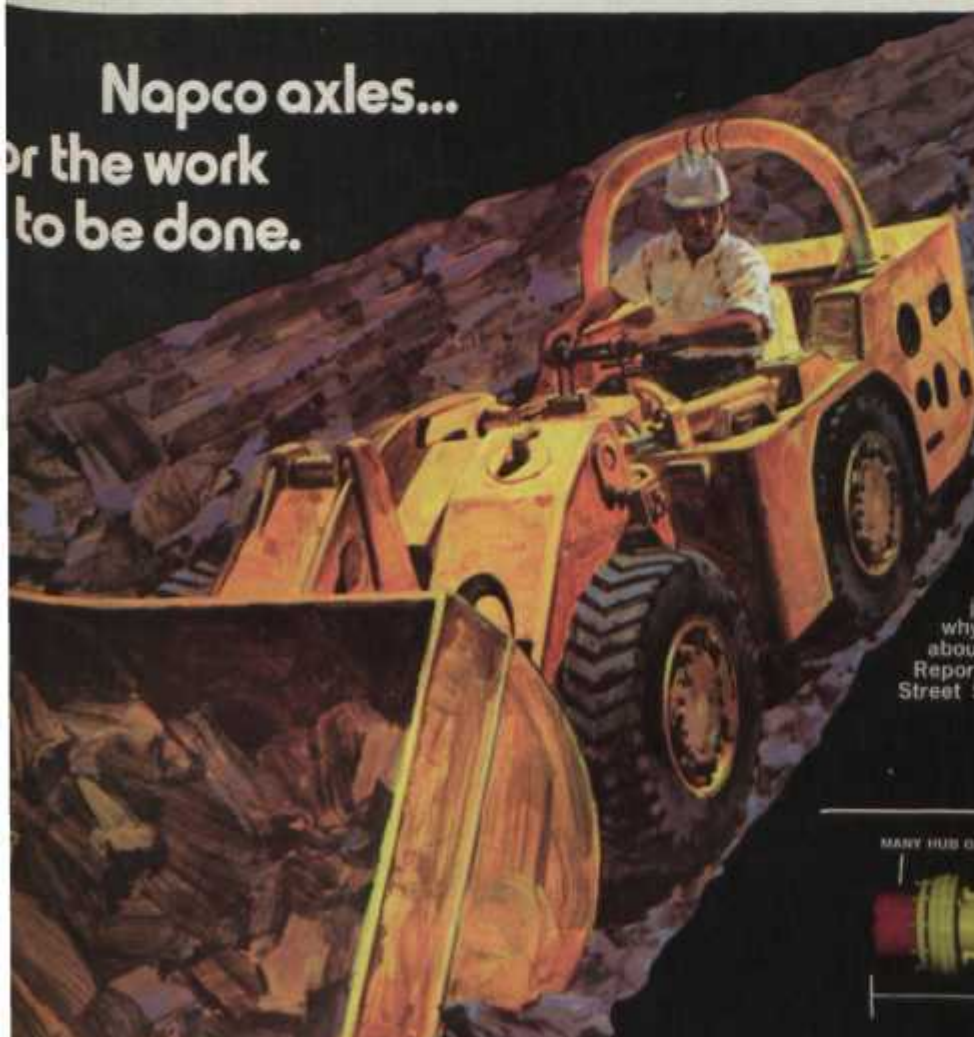
The Sixties saw continued migration of Negroes from rural areas of the South, some of it to metropolitan areas in the South, but more to the North. Georgia lost 147,000 Negroes but gained about 200,000 whites.

In many instances, the situation was reversed in the North. New York State gained about 500,000 Negroes but lost 600,000 whites. Pennsylvania lost more than 400,000 whites while gaining 45,000 Negroes through migration.

Illinois received 170,000 Negroes but lost more than 200,000 whites. Ohio had an in-migration of 66,000 Negroes but an out-migration of 190,000 whites.

The publication, with figures for 10 years of births, deaths and migration in all counties and states, is titled "Components of Population Change by County, 1960-70." It is priced at 60 cents and available from the Superintendent of Documents, Washington, D. C. 20402. **END**

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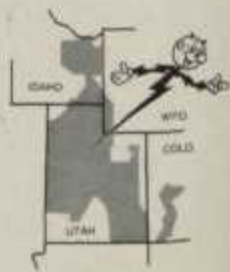
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Return to Cave and Candle?

BY WILLIAM F. MAY
Chairman of the Board
and President
American Can Co.



ILLUSTRATION: RALPH HODGSON

We all contribute to pollution.

Some environmental extremists would have the public believe the problem is almost solely industry's.

Certainly, industry, including my own packaging industry, pollutes. And American business in general has been lax in responding to the sincere concern of citizens on the subject.

But we are all guilty. For example, elected politicians, such as municipal government officials who permit our waters to become befouled with untreated sewage. And the taxpayers who vote down costly but needed sanitation systems.

For years, the Army Corps of Engineers has dumped filthy, dredged waste. The U. S. Navy flushes raw sewage from its ships into the waters of ports around the world.

Farmers are major polluters; their agricultural wastes, pesticides, herbicides and fertilizers pass into our streams and lakes, killing our fish. Animal waste from stockyards and feed lots is often a major problem.

And let's not forget the labor unions. One day not long ago, more than a billion gallons of raw sewage were dumped into New York City's waterways by a municipal labor union during an illegal strike.

So why make industry the only target?

Most Americans are fair minded. Given full and correct information,

they will judge correctly. But it isn't always given to them.

Some are so ill-informed by anti-business publications and speakers that they seem ready to endorse the false notion that all of our ecological problems will be solved if we set the technological clock back and return to cave and candle.

The wild accusations of these people can only distract us from stopping the appalling waste and destruction of the environment and resources on our planet—which happens just now to be the only planet we have.

Archvillains of litter

Those of us in paper and packaging have been a bit smug in thinking the public realizes the positive contributions we have made to the quality of life in the United States. We have been wrong; we continue to be pictured as archvillains of litter and waste.

Perhaps debunking the most prominent myths will help set the record straight:

- The packaging industry is indifferent to the solid waste problem.

Fact: The National Center for Resource Recovery, Inc., has been formed—a nonprofit, joint project of business and labor in steel, aluminum, other metals, glass, cans, paper, plastics, soft drinks, brewing, stores, food canning and food processing. It

works with the Environmental Protection Agency, and with other industries, institutions and individuals, to find solutions to problems.

For example, the can industry finances 200 collection centers in 40 states, which ship used cans to salvage plants for recycling. More centers will be opened.

The glass people are recycling glass at 100 plants in 25 states. Plastic waste studies by the Society of the Plastics Industry are under way.

- One-way beverage containers are major contributors to litter.

Fact: Cans and one-way bottles for soft drinks and beer make up 17.7 per cent of litter on highways and less than 10 per cent in urban areas, says the National Academy of Science.

Laws banning one-way beverage containers will not eliminate litter because too many people won't bother to bring in returnable containers. For example, for every 37 one-way containers thrown on our highways, there are 26 bottles which could have been returned.

- Most consumers are ready to sacrifice convenience, multiple choice and price in order to reduce waste disposal.

Fact: What many people say they want—such as less packaging or more returnable containers—is not consistent with their purchases. Costly efforts by ecology-minded soft drink

20

January 1972

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POINTERS FOR PROGRESS
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Cave and Candle?

continued

firms to reintroduce returnable bottles—which are more expensive than the nonreturnable types—have largely failed. The public simply has not bought them in sufficient numbers.

In a recent survey 65 per cent of the consumers polled said that even if returnable containers were available in the supermarkets in which they shopped, they wouldn't buy them.

Perhaps of greater significance in this survey, however, is the fact that the type of container scored a low 3 per cent as the reason for the soft drink purchase.

- Municipal solid waste predominantly consists of packaging materials.

Fact: Packaging accounts for 13 per cent of municipal solid waste, according to the U. S. Public Health Service.

For example, while 50 per cent of New York City's waste is paper, nonpackaging paper tonnage is enormous. The city spends more than \$13 million annually to dispose of the Sunday editions of two newspapers.

- Sharp restriction in packaging will do more good than harm because packaging always increases urban waste.

Fact: The industry frankly admits to some "overpackaging," but many examples are being weeded out. Industry leaders feel the alarm over waste disposal has obliterated recognition of packaging's contribution over the years to sanitation, public health, product preservation and protection, and personal convenience.

Frozen food packaging, for example, keeps bones, innards, peel, pulp and stalks out of municipal solid waste disposal systems.

- Very little paper is being recycled.

Fact: Currently, 19 per cent of all paper has already been recycled at least once.

- All discarded paper can and should be recycled.

Fact: Recycling does not eliminate all pollution. It creates some. About 10 per cent of the fibers escape as suspended solids in each recycling and must be rigidly controlled. Coated magazine stock gives off as much as 50 pounds of ink-clay sludge for every 50 pounds of fiber recovered.

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Furthermore, paper—unlike metal—cannot be recycled to original quality. And at least 12 per cent of paper produced is unrecoverable after going into building materials, books, permanent files, sewage systems, etc.

Under food and drug laws, paper contacting food must be new. Recycled paper from unknown sources carries risk of contamination.

"Second use" often makes more sense than recycling. Paper products can be composted to add humus in agricultural areas or used as a basic ingredient in building materials, such as insulating board. Research shows some promise of developing the carbohydrate value of paper for animal feed.

Recycling is the only ecological solution to the waste paper problem.

Fact: Technologists are developing highly efficient, air-pollution-free incinerators that will produce needed power while they dispose of waste.

Waste paper is a valuable energy source. Plastic and wax coatings, which complicate recycling, enhance the value of paper as a fuel.

Although paper's caloric value is

half that of coal and one third that of fuel oil, under controlled incineration its only gaseous by-products are non-polluting carbon dioxide and water vapor, which are components of the earth's atmosphere.

A matter of time

The solid waste disposal problem has been with us for 2,000 years, since the Romans' use of open dumps. U.S. industry, science and technology are entitled to at least a few years of intensive effort to clean up the environment.

Technology already exists for this effort and if the public is willing to pay the necessary costs, the prospects of eventual success are bright.

All of us have an enormous responsibility for the quality of life. We achieve our goal by common effort, but myths unanswered add to the difficulty of the job.

The packaging industry believes the disposal answers are in economic recycling and second uses, rather than in taxes, bans and deposits, or a return to the milk pail, pickle barrel and butter tub.

END

STATEMENT OF OWNERSHIP

STATEMENT of ownership, management and circulation (Act of August 12, 1970; Section 3685, Title 20, United States Code).

1. Title of publication: NATION'S BUSINESS.
2. Date of filing: September 15, 1971.
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4. Location of known office of publication: 1615 H Street N.W., Washington, D.C. 20006.
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6. Names and addresses of publisher, editor, and managing editor: publisher: Mr. Arch N. Booth, vice president, Chamber of Commerce of the United States of America, Washington, D.C.; editor: Mr. Jack Woodbridge, Washington, D.C.; managing editor: Mr. Wilbur Martin, Washington, D.C.

7. Owner: The owner is: Chamber of Commerce of the United States of America, said body being an incorporated organization under the laws of the District of Columbia, its activities being governed by a Board of Directors; the officers are as follows: President: Archie K. Davis, chairman of the board, Wachovia Bank & Trust Co., N.A., Winston-Salem, N.C.; Chairman of the Board: F. Ritter Shumway, honorary chairman of the board, Sybron Corp., Rochester, N.Y.; Chairman of the Executive Committee: Jenkin Lloyd Jones, editor and publisher, The Tulsa Tribune, Tulsa, Okla.; Treasurer: Allen Whitfield, senior partner, Whitfield, Musgrave, Selvy, Kelly & Kedy, Des Moines, Iowa; Executive Vice President: Arch N. Booth, Chamber of Commerce of the United States, Washington, D.C.; Vice Presidents: Robert S. Beaupre, president, Seattle-First National Bank, Seattle, Wash.; Henry C. Coleman, chairman of the board, Commercial Bank at Daytona Beach, Daytona Beach, Fla.; William S. Lowe, president and chief executive officer, A. P. Green Refractories Co., Mexico, Mo.; Henry J. Schmitt, editor and publisher, Aberdeen American News, Aberdeen, S. Dak.; Charles H. Smith Jr., chairman of the board, SIFCO Industries, Inc., Cleveland,

Ohio; Anthony E. Wallace, president and chief executive officer, The Connecticut Light & Power Co., Hartford, Conn.

8. Known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages or other securities: None.

9. For optional completion by publishers: Not applicable.

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11. Extent and nature of circulation:

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B. Paid circulation		
1. Sales through dealers and carriers, street vendors and counter sales		
2. Mail subscriptions	881,767	880,930
C. Total paid circulation	881,767	880,930
D. Free distribution by mail, carrier or other means		
1. Samples, complimentary, and other free copies	30,058	31,294
2. Copies distributed to news agents, but not sold		
E. Total distribution (Sum of C and D)	911,725	911,294
F. Office use, left-over, unaccounted, spoiled after printing	8,078	6,109
G. Total (Sum of E & F—should equal net press run shown in A)	921,403	917,403

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BUSINESS A LOOK AHEAD

BY GROVER HEIMAN

Associate Editor

AGRICULTURE

A number of rural electric utilities seeking loans for new construction are going to have to shed some unrelated business ventures if they expect to receive a warm reception from the Rural Electrification Administration.

That's the word from REA, which last fiscal year loaned these utilities—most of which are cooperatives—\$412 million.

REA has been concerned about the level of general nonoperating funds it says the utilities should maintain. REA's guideline is "8 per cent of total utility plant, or \$100,000, whichever is greater."

Some of the utilities haven't kept to this level in investments that can readily be converted into cash without loss of princi-

pal, REA claims. So Administrator David A. Hamil, in a recent memo, recommended some specific actions, such as liquidation of investments in development projects that are far afield from the normal functions of utilities.

He noted that federal funds are supposed to help borrowers meet construction obligations so they can give adequate service to existing and new customers.

"It would not be equitable for REA to finance a borrower's construction while the borrower was using its own resources to make profitable nonliquid investments unrelated to the requirements of its utility operations," he said.

FINANCE

Despite last-half uncertainties, 1971 looks like a record year for sales of new, long-term municipal securities.

In 1970 the total was \$18.1 billion. By mid-1971, sales stood at \$12.7 billion and analysts estimate they will reach \$20 billion-plus for the year.

The Investment Bankers Association says that each class of governmental unit has been selling more of all types of bonds this year than ever before.

Sales of both long-term and short-term (those maturing in less than 18 months) bonds totaled \$25.8 billion by July 1, compared to \$15.8 billion by mid-1970. There was an 86 per cent increase in revenue bonds and a 47 per cent hike in obligation bonds.

Sustained popularity of municipal securities with large commercial banks is expected. Since 1968 they've represented slightly over half of the banks' total investments.

MANUFACTURING

Wholesale drug prices are expected to stay almost stable in the future because of unabated fierce competition in the marketplace.

Over the past 22 years the record of the industry has been unusual. In 1949, with the wholesale drug price index at 117.3, a steady decline began. Prices bottomed out at 99.1 in 1968. Then they edged up to 100.1 in 1969 and to 101.0 last year.

The industry expects prices this year to show an increase on the same order as last

year—about 1 per cent. The Pharmaceutical Manufacturers Association says that among factors forcing small price rises are expiration of patents, rising cost of research, and increased use of non-brand-name generic prescriptions.

Graphically pointing out how the public has benefited from the industry's pricing history, the Association says surveys show that the average price of a prescription in 1970 was 5 per cent less than 10 years earlier.

CONSTRUCTION

Industry experts see a continuing trend among life insurance companies in favor of financing commercial properties, such as hotels, instead of homes.

As recently as 1960, home mortgages made up more than half of all loans held by insurance firms, but since then there has been a steady decline.

By the end of 1969 home mortgages represented 39 per cent while apartment and commercial property loans constituted more than half.

Institute of Life Insurance statistics show that the \$72 billion in mortgages held by companies in its field at the start of 1970 consisted of \$5.7 billion, farm; \$14.1 billion, apartment; \$28 billion, home; and \$24.2 billion in commercial properties.

Although hotel financing is not new for insurance companies, more hotels have been turning to them for funds. But some lenders, following the practice of other institutional investors, have been insisting on a piece of the action, says Arnold H. Markfield, Chicago-based partner in Laventhol Krekstein Horwath and Horwath, an accounting firm specializing in the lodging industry.

He reports there is concern that the practice of demanding stock or its equivalent to cover losses from inflation may lead to "proscriptive legislation" for the industry. In the absence of restraints, he predicts the "trend toward ownership of hotel properties by insurance companies can be expected to continue."

MARKETING

There's new hope for a durable press cotton fabric as the result of a soak and stretch process being investigated by the Agricultural Research Service.

In the past, attempts to produce such a fabric by chemical treatment haven't been successful. Some processes reduce cotton's strength by as much as 50 per cent.

Now, by using caustic soda to swell the fibers, and then, after allowing them to shrink, stretching the yarn while removing the chemical, scientists at the ARS Southern Regional Research Laboratory in New Orleans have produced yarn whose strength is equal to that of untreated cotton even after 20 home-type launderings.

NATURAL RESOURCES

Small businessmen in the timber industry have assurance that they will get a continuing share of the timber offered for sale for each national forest or "significant marketing area."

Beginning next month the U. S. Forest

Service will take a look at timber sales from each forest twice a year. Should the share of small businesses fall below 10 per cent of average annual sales between 1966 and 1970, the Service will set aside timber for purchase by such firms in the following six months.

TRANSPORTATION

Despite strong opposition from some member firms, the rail, truck and water transportation industries are moving toward a closer working relationship.

A mutual dilemma—financing for the future—is bringing these competitors together. All three industries need major equipment modernization if they are to meet anticipated traffic growth.

The railroads say they alone must spend \$36 billion over the next decade. Spokesmen for all three modes of transportation agree that financing the modernization programs will require an investment rate double that which they can afford.

The industries are jointly rallying behind the proposed Surface Transportation Act of 1971, sponsored by Sen. Vance Hartke of

Indiana and Rep. Brock Adams of Washington, through the Association of American Railroads, the American Trucking Association and the Water Transport Association.

The bill would establish an RFC-type agency under the Treasury, with authority to lend up to \$5 billion.

Association officials say the three industries' coalition is "revolutionary" and point to the controversial regulatory changes they support in the bill, such as requiring water transport carriers to publish rates for bulk shipment of dry commodities, which the railroads now must do.

The bill would also extend rate regulation to movement by truck of livestock and certain processed agricultural commodities, which is now exempt.

Editorial

Stop the Presses

When we have a cold, doctors treat the symptoms with aspirin, antihistamines and the like.

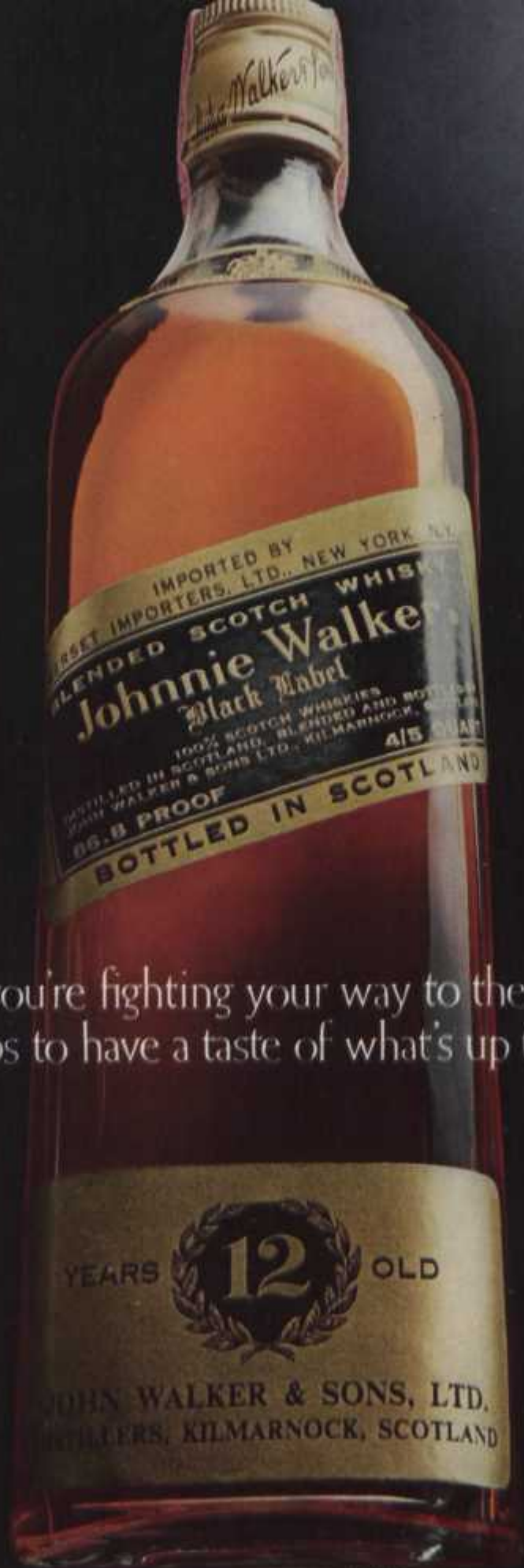
So we feel better. But the cold's not cured.

We are treating the symptoms of national inflation with various nostrums today. And we feel better, but it's not cured.

Unfortunately, there's no known cure for a cold, but there is for inflation.

Basically, inflation is caused by government spending more than it takes in. When it does this, it must in effect print money with little, if any, value.

We hope the government will take the cure.



As you're fighting your way to the top
it helps to have a taste of what's up there.



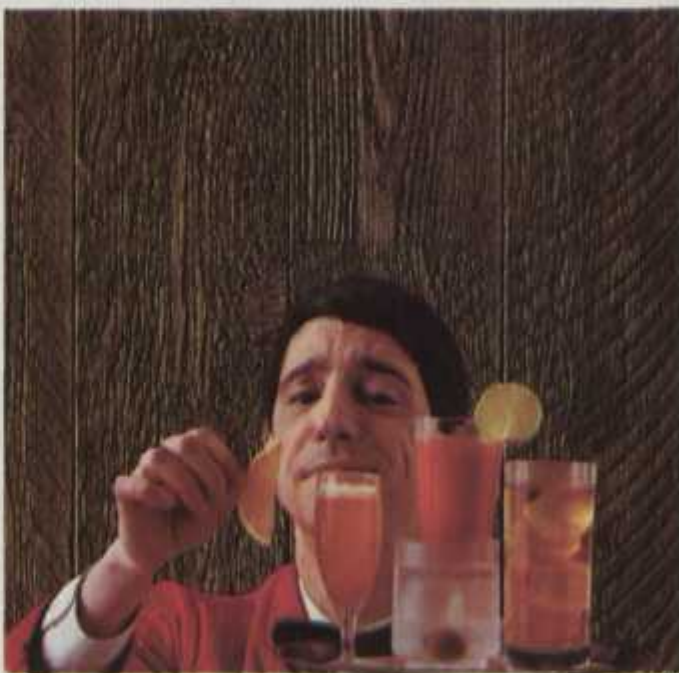
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